

SOCIALISATION AND TRANSPORT

Actualities

THE INTERDEPENDENT WORLD
AND ITS PROBLEMS

by Ramsay Muir

THE GROWTH OF MODERN ENGLAND

by Gilbert Slater

(a successor to "The Making of Modern England")

PUBLIC FACES

by Harold Nicolson

PEACEMAKING, 1918-1919

by Harold Nicolson

A SEARCHLIGHT ON THE NAVY

by H. C. Bywater

SOCIALISATION AND TRANSPORT

*The Organisation of Socialised Industries
with particular reference to the
London Passenger Transport Bill*

by the Rt. Hon.

HERBERT MORRISON

(Minister of Transport in the Labour
Government, 1929-1931)

LONDON

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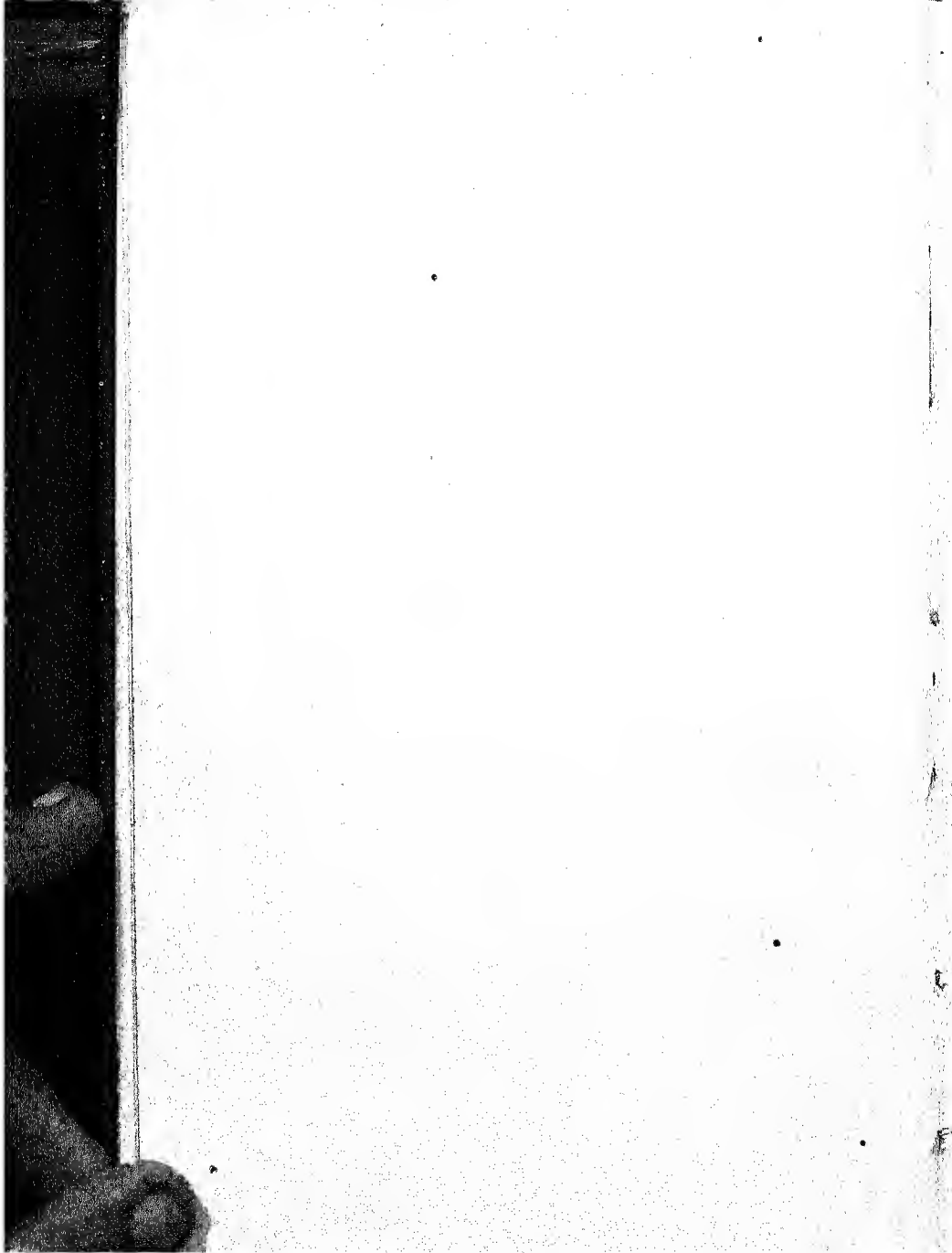
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To

The Travelling Public
and the Workers by hand
and by brain in the
Transport Industry



PREFACE

UNDERTAKEN AS AN EXPOSITION OF THE London Passenger Transport Bill, the present volume has evolved into a study of the management of publicly owned industries generally and an examination of the wider aspects of the British transport problem.

It has been well to let the pen take its own course in this way. The elements of the London passenger transport problem are not fundamentally different from those of the more serious and complicated national problem. They lend themselves to more simple exposition and are, perhaps, more readily understood by the average reader.

The nature of the transport situation in the 1,800 square miles of the London traffic area and the historical background are discussed in the first three chapters. The reader who is not a Londoner is advised not to regard these chapters as of metropolitan significance alone: they will help him to understand the economic controversies of the later chapters.

Chapters IV, V, and VI, while drawing in part from the facts of the London problem, are really an examination of conflicting economic doctrines as to transport organisation generally, the last mentioned chapter dealing specifically with the

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Salter Report and the British transport problem as a whole.

Chapters VII, VIII, IX and X deal (I hope in a realistic and practical way), with the political, legislative, administrative and managerial problems of the socialisation of industry—matters which have received far too little concrete consideration. They are in part the fruit of the practical experience of the author as a Minister and municipal administrator, correcting and advancing ideas formulated in many years of close thinking upon the whole subject. It was an experience of great value to produce the London Passenger Transport Bill, a definite and complete scheme for the socialisation of a wide variety of complex industrial undertakings—more commercial and diverse in character than those which had previously been the subject of public ownership plans.

Chapters XI, XII, and XIII are concerned with the position of the workers in socialised industries, a matter of which much will be heard as socialisation proceeds.

The finance of socialisation, particularly in respect of the compensation of expropriated private owners, is considered in Chapter XIV.

The volume finishes with a somewhat speculative chapter (XV) entitled, "Supreme Economic Control in the Socialist State," giving a general picture of the economic and administrative mechanism of the British Socialist Commonwealth which the author desires to see established.

PREFACE

Besides being read by those who are interested in the industrial future of Great Britain generally, the author trusts that the book will commend itself to active workers in the transport industry—whether in the operative, technical, or managerial grades; to those interested in or concerned with public administration; and to those who realize that as the policy of socialisation becomes “practical politics,” the more necessary it is for that policy to be handled as a matter of sound public business organisation. It has been the author’s endeavour to get to grips with the “brass tacks” of socialisation. It is for the reader to judge whether he has succeeded.

The present work is in no way a legal text-book on the London Passenger Transport Bill, although it seeks to expound the “philosophy” and policy behind the Bill. At the date of writing this Preface, the Bill has not become an Act, but it is well on the way, having passed all its stages in the House of Commons, received a Second Reading in the House of Lords without a division (a motion to refer the Bill in its financial aspects to a Select Committee being defeated by 155 votes to 13), and completed its Committee and Report Stages in that House. Further material alterations to the Bill are not likely to be made; it is expected to come into force on July 1, 1933. In the main, the book deals with the Bill as it left the Joint Select Committee of Lords and Commons on July 30th, 1931, after which the present writer had no responsibility for the

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measure. In so far as alterations of substance have since been made in the Bill, they are indicated.

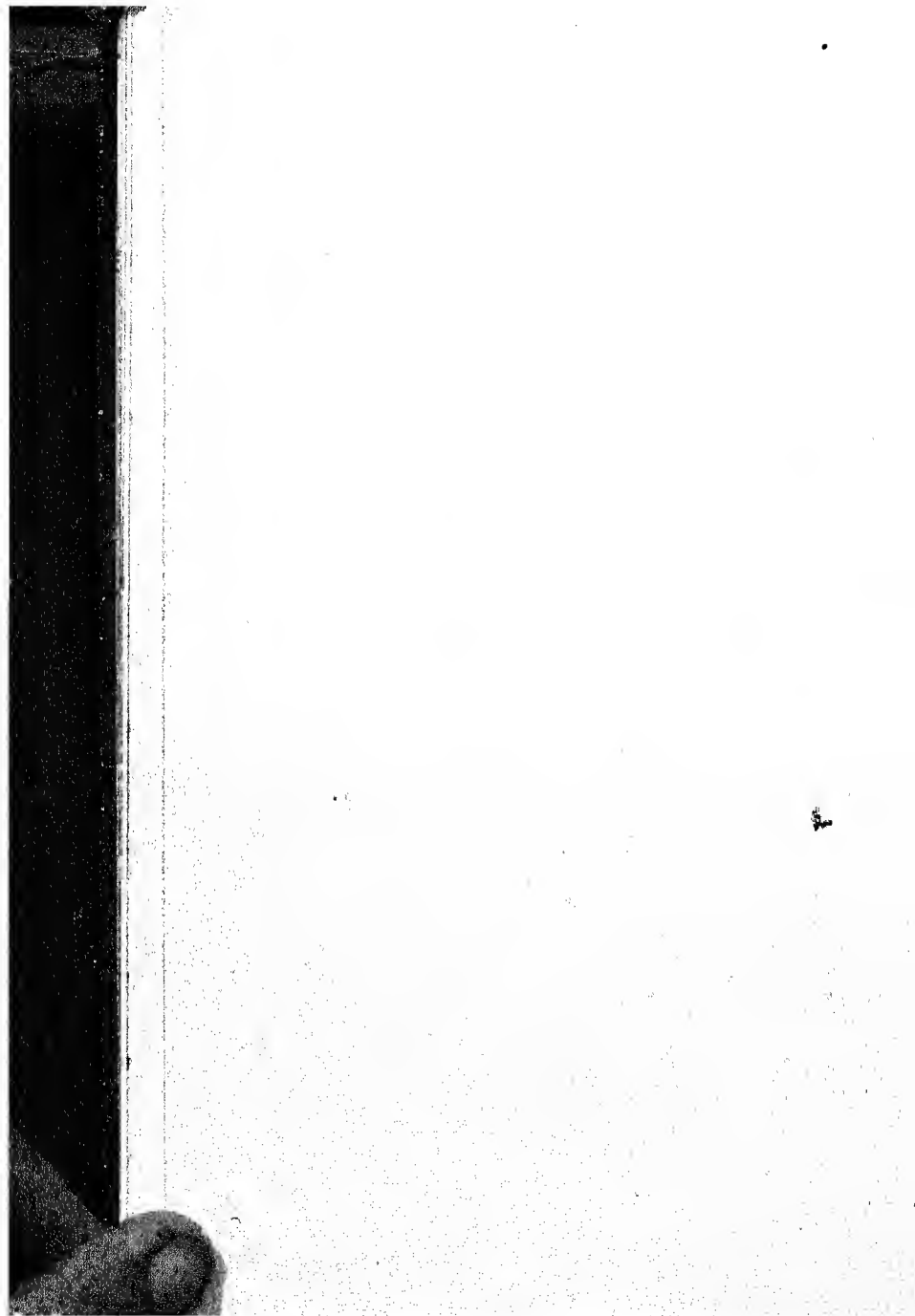
The author desires to express his sincere gratitude to a number of people who have assisted him in his task. Heavily occupied as he has been with public affairs, the writing of the book has been a spare time occupation; in the preparation of the manuscript and the passing of proofs he has received assistance of great value and extent from Miss E. M. Donald in her spare time. Mr. W. J. Barnett has devoted many hours to the checking of the MS. and the proofs. The following, among others, have been through the proofs and made valuable suggestions: Mr. John Cliff, Mr. D. H. Daines, Mr. Charles Latham, and Mr. G. R. Strauss. The author alone, however, is responsible for the opinions contained in this book and the policies it expounds.

H. M.

LONDON,
March, 1933.

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SOCIALISATION AND TRANSPORT

CHAPTER I

Historical

BEFORE WE EXAMINE THE LONDON PASSENGER transport problem of to-day, it will be as well for our minds to be in possession of the broad lines of the evolution of our travelling facilities. We shall find the story to be one of small and disconnected beginnings, leading up to an increasing degree of consolidation and larger and larger units of operation. This fundamental characteristic of London transport is important, for it has a bearing on the whole basis of the London Passenger Transport Bill, and, indeed, the whole national problem.

§ Steam Railways

The evolution from small things was even true of the surface steam railways. The first half of the nineteenth century witnessed the rapid, if somewhat unco-ordinated, development of the British railway system. In London, the first railway was the London and Greenwich Railway, the construction of which started in 1834, the railway being in part open for traffic in 1836. It was no doubt regarded by Londoners at that time

as an event of great and even startling importance. Yet to our twentieth century minds the construction of a surface steam railway from London to Greenwich seems childish. Subsequently, in London and its environs, other railways of comparatively limited length were built. The stations were placed fairly close to each other; in all probability the trains stopped at all of them; and we can imagine that their average speed, including stops, was pretty poor. Following the steady removal of the population from the central London areas, a number of these stations have been put out of use for passenger traffic, or are used very little because the tramway and the omnibus have almost wiped out the short distance traffic of the main line railways.

Steadily, however, the mileage of railway routes increased, amalgamations of the separate companies were arranged, and by the end of the last century we could reduce the main line railway systems having termini in London to the following list:

- (1) London, Tilbury and Southend Railway (Fenchurch Street).
- (2) Great Eastern Railway (Liverpool Street).
- (3) Great Northern Railway (King's Cross).
- (4) Midland Railway (St. Pancras).
- (5) London and North Western Railway (Euston).
- (6) Great Central Railway (Marylebone).
- (7) Great Western Railway (Paddington).

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- (8) London, Brighton and South Coast Railway (Victoria and London Bridge).
- (9) South Eastern Railway (Charing Cross, Cannon Street, and London Bridge).
- (10) London, Chatham and Dover Railway (Victoria, Holborn Viaduct, and St. Pauls).
- (11) London and South Western Railway (Waterloo).

But this degree of consolidation was not regarded as sufficiently complete, either by the State or by the most progressive minds in the railway service. By the end of the war the old and almost universally accepted doctrine of competition—which we shall examine later—had become widely discredited in the world of transport. The Railways Act of 1921 was passed; and it is interesting to observe that the Minister of the Coalition Government responsible for the Bill was Sir Eric Geddes, the first Minister of Transport, formerly General Manager of the North Eastern Railway. Under the Railways Act, 1921, the railways on the list given above were, by 1923, further merged into the four amalgamated railway companies of to-day. The Great Eastern, the Great Northern, and Great Central are now part of the London and North Eastern Railway; the London Tilbury and Southend, the Midland, and the London and North Western have become merged in the London Midland and Scottish Railway; the London Brighton and South Coast, the South

Eastern, the London Chatham and Dover, and the London and South Western have lost their familiar nineteenth century identities in the Southern Railway system. Alone the Great Western Railway preserved its name subsequent to the great amalgamations required by the Act of 1921. It is a far cry from the London and Greenwich Railway to the present Southern Railway's 307 route miles of electrified services in the London suburban area.

In these days of a built-up London extending between 10 and 15 miles from Charing Cross, and a statutory traffic area radiating 25 miles, it is surprising to find that in the early days of the construction of London railways the great increase of passenger traffic which was to follow was not foreseen. It was to the conveyance of goods that special importance was attached. In these circumstances the view was taken that it was undesirable to interfere with valuable property in central London, and possibly to inflict the discomfort of the smoke and noise on the citizens by bringing railways right into the centre. The main line termini, therefore, were placed outside the central area; apparently it was not thought that inconvenience to the travelling public would be caused thereby. It is true that subsequently some termini were permitted closer to the centre; Charing Cross Station is a case in point: the same Charing Cross Station of which the siting was one of the main points of controversy in connection with the Charing Cross Bridge Bill

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with which I had a great deal to do during my period of office as Minister of Transport, 1929-31. Keeping the railway termini out of the central area was evidently part of a deliberate policy, for the Royal Commission on Metropolitan Railway Termini, which was appointed in 1846, came to the conclusion that the proportion of short distance passengers carried by the main lines was small, and that the probable demand for accommodation for short distance traffic would not justify the sacrifice of property, or the expenditure which would be involved in the placing of the termini in crowded centres.

It is clear that at that time the great suburban traffics of the Southern Railway and the London and North Eastern Railway were not visualised. By 1855, however, only nine years afterwards, it was already realised that a new approach to the problem was necessary. In that year the House of Commons appointed a Select Committee to enquire into the state and condition of the several communications to and in the Metropolis. The Committee recommended the connection of the railway termini in London by a railway which would also serve the docks, the river, and the post office. It is apparent that the Committee was impressed with the need for improving urban and suburban traffic facilities. 1855 also saw the beginnings of the Metropolitan Railway, which was destined in some degree to carry out the recommendations of the Select Committee. In 1855 authority was given for a railway

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to be constructed connecting Paddington Station in the West with Farringdon Street in the City: again, a very modest beginning. It was provided that the railway should be laid in open cutting where possible, and underground where this was impracticable. 1863 saw the line open; it was, of course, a steam railway.

Various promoters presented to Parliament a number of separate schemes in 1863 for the construction of a number of separate London railways. A Select Committee of the House of Lords, which was appointed to consider the question of Metropolitan railway communication, recommended among other things:

- (1) That underground railways should be preferred within the Metropolis.
- (2) That there should be a line of railway on the east of the Metropolis connecting the railways north and south of the Thames.
- (3) That additional railway communication was needed in the densely populated parts of the Metropolis and between the main lines.
- (4) That a line such as that now known as the "Inner Circle" was desirable. An "Outer Circle" railway was also recommended.
- (5) That every system of internal railway communication for the Metropolis should be under one management.

The Inner Circle was not completed until 1884

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—the process being of a “bit by bit” character—although it was recommended by the Select Committee of 1863. Despite the significant fifth recommendation of the Lords’ Select Committee of 1863, the Inner Circle even now is owned and worked by two companies: the Metropolitan District for the southern arc and the Metropolitan for the northern arc. From time to time railway branches have been constructed into the outer districts.

§ *Tube Railways*

The next chapter of London underground railway development which it is appropriate for us to notice was the adoption of the system known as the “tube” railway, the rails being laid in an iron-lined deep-level tube; and in this connection we may be thankful for the stratum of clay which underlies London. The deep level tube involves less interference with property than the shallow railway and does not require its purchase, so that on this account it is less costly; from the beginning, with the small exception mentioned below, it has always necessarily been worked by electricity, and here it may be noted that just as electricity made possible the deep-level tube railway, so electrification is to-day desirable for the purpose of brightening and expediting the main line railways. Here again the distances were at first short and the units of management small. The old City and South London Railway from the Bank to Stockwell

(after first starting as a cable railway from King William Street to London Bridge) was the first of the tube class, being authorised in 1884 and opened for traffic in 1890. The second ran from the Bank to Shepherd's Bush—the Central London Railway (the old Twopenny Tube), receiving Parliamentary sanction in 1891 and opening for traffic in 1900. Nobody thought at that time of providing through-running on the two railways or even of special facilities for the interchange of traffic. From the small and isolated beginnings of the Metropolitan Railway from Paddington to Farringdon Street, and the City and South London Railway from Stockwell to the Bank, the vast underground system of the Metropolis has evolved. There are still districts in London which complain that they have no tube; and there is still very little actual physical connection with the suburban services of the main line; but over considerable areas to the far west and the far north, and now as far south-west as Morden, Wimbledon and Richmond, the underground railways carry their millions of passengers, whilst to the east there is a line running through Stepney to Barking. The East London Railway has a foolishly incomplete line from Shoreditch, connecting the Inner Circle with New Cross; the Bakerloo is proposing to creep from the Elephant and Castle to Camberwell Green; and the Southern Railway has its baby tube railway from Waterloo to the Bank. As illustrating the complicated expedients so often in-

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volved in attempts at co-operation under competitive conditions, the story of the East London Railway is worth telling. Promoted as a separate undertaking, its capital being issued to the public, the line was then leased to six companies: the old South Eastern Railway, the London Chatham and Dover Railway and the London Brighton and South Coast Railway on the south; the Great Eastern Railway, the Metropolitan Railway and the Metropolitan District Railway on the north. The 1921 amalgamations reduced these main line companies to two, and of the four companies the Southern represents a half interest in the whole lease, but subsequently purchased the whole undertaking. So far as passenger traffic is concerned, it has been arranged that the Metropolitan works the line.

The total length of underground railway lines (including the Metropolitan) open at the beginning of 1933 was 132 route miles as compared with 109 miles in 1913. Unfortunately, a large proportion of these lines commenced their lives as separate and independent undertakings, the result being that, in many cases, the change from one underground railway to another involves considerable walking underground or even, in the case of Holborn and British Museum Stations, coming to the surface and crossing a busy thoroughfare; these two stations, complete with escalators, will become one, however, before the close of 1933. Gradually and by all sorts of methods the tube railways, together with the

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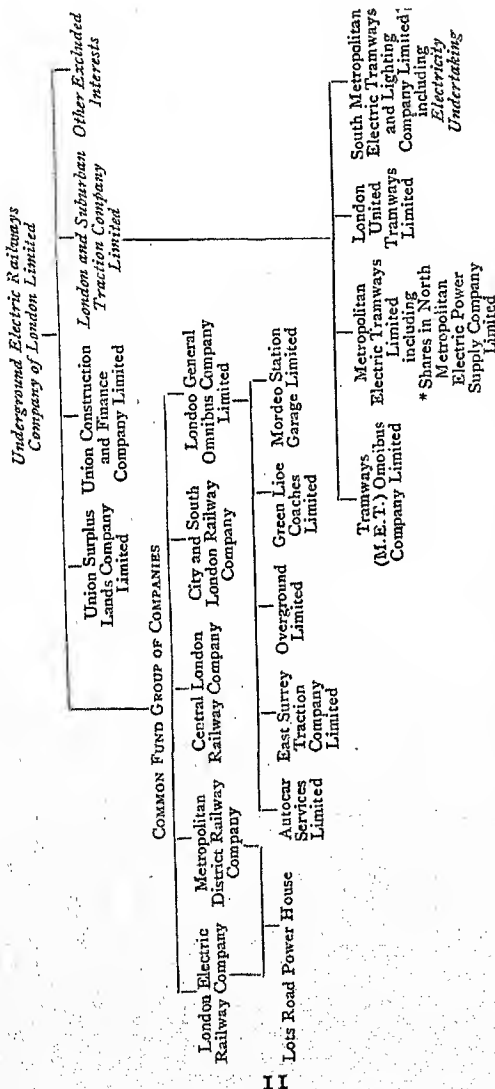
Metropolitan District Railway (except the Great Northern and City¹ and the Waterloo and City), came under one control, and to-day the City and South London, the Central London, the London Electric Railway and the Metropolitan District Railway form the underground group of railways under Lord Ashfield; the same group, as we shall see, controls nearly all the omnibuses of London, and the same management operates the company tramway and trolley bus services in outer London; for it should be noted that the London United Tramways have converted 16 miles of tramways to trolley buses and constructed one additional mile of trolley bus route.

The organization of the London Traffic Combine, however, is a complicated business, as the chart (reproduced on page 11) submitted by Sir William McLintock to the Joint Select Committee on the London Passenger Transport Bill (May 19th, 1931, page 205) shows.

The only underground railways which are not under the control of Lord Ashfield's group are the Great Northern and City, which is operated and owned by the Metropolitan Railway Company, the Metropolitan itself, and the Waterloo and City Railway of the Southern Railway. Despite the great growth of the underground railways, however, their route mileage is still only 132, if the whole of the Metropolitan Railway is

¹ The Great Northern and City Railway (now owned by the Metropolitan) from Finsbury Park to Moorgate, was constructed of a size to permit main line trains to pass into it direct from the Great Northern Railway.

LONDON UNDERGROUND GROUP OF UNDERTAKINGS



* These shares would be acquired by the Board and resold to the Underground Company.

NOTE: Under the provisions of the Bill, the interests shown in italics would not be acquired by the Board.

included, as compared with about 900 miles of the four amalgamated railway companies in the London traffic area.

As with the surface railways, so with the underground railways: the story is one of small and independent beginnings culminating in an increasing degree of unification and consolidation. We have seen, however, that the cost and difficulties of consolidation have been sadly increased as the result of these independent beginnings, it being significant to observe in this connection that it is only in recent years that the tube railways have made clean runs through London from north to south. And even now the Central London Railway finishes its run at a dead end at Liverpool Street.

§ *Tramways*

It is perhaps a little surprising to find that the street tramway in London was not authorised until thirty-three years after the first surface railway was opened, six years after the first section of the Metropolitan Railway had been opened, and fourteen years after it was sanctioned.¹ It was the North Metropolitan Tramway Company which first obtained Parliamentary powers to construct a London tramway in 1869. It will perhaps be interesting to the many motorists who curse

¹ It would appear that in 1861 tramways were operated for a short time without Parliamentary powers to run, e.g., Bayswater Road between Notting Hill Gate and Marble Arch; Westminster Palace Hotel to Victoria Station; Westminster Bridge to Kennington Park.

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tramways to know who started the trouble and when! It is the same story of a small and independent beginning over again, for the route authorised was for the now absurd distance from Whitechapel to Bow. In various parts of the County of London between 1870 up to the establishment of the London County Council in 1889, other companies obtained powers; they included the London Street Tramways Company, the London Tramways Company, and the South London Tramways Company.

The newly established London County Council, with its socialistic Progressive majority, soon came to the general conclusion to own, construct, and work all the tramways in its area. It therefore purchased the company undertakings as opportunities arose and the Council has itself built many additional miles of route. It was responsible for the electrification of the whole system under its ownership in the early part of the present century.

Outside the County some eight local authorities own and work their tramways; the Middlesex and Hertford County Councils, Leyton Borough, and Barking Borough own but do not work them; other systems in extra London are owned and worked by companies associated with the Underground Group. With the exception of Ilford, it is true to say that wherever it is practicable through running agreements exist between the London County Council and the other undertakings: indeed the undertaking of the Leyton

Corporation is actually worked and managed by the London County Council. There are undertakings, such as those of the Bexley Urban District Council and the Erith Urban District Council, over whose lines it is impossible to arrange through running owing to physical difficulties.

The total route miles of the Greater London municipal tramways at the beginning of 1931 were 276. The route mileage of the London United, Metropolitan Electric and the South Metropolitan Companies totalled 69, giving us a tramway grand total of 345.

§ *The Omnibus*

Having regard to the economic outlook of the time, omnibuses had a relatively substantial beginning. The London General Omnibus Company (we will call it the L.G.O.C.)—a very different institution from the present concern—was founded, curiously enough, at Paris in 1855, and its London horse omnibuses began to operate in 1856, in which year its daily average of vehicles was 450. 1862 saw the daily vehicle average up to 602, the company carrying 42,768,248 passengers in that year at an average fare of over 3½d. The horse omnibus fleet operated by the L.G.O.C. achieved its peak in 1905 with 1,418 vehicles a day and a passenger journey total of 217,012,090 at an average fare of 1.37d. The company's only serious competitor in the horse omnibus days was the London Road Car Company which started to operate in 1880

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and which was working an average of 464 horse omnibuses daily by 1904. In 1903 it carried 73,134,260 passengers. There were, of course, in the days of the horse bus many small owners catering for the public, but with most of them the L.G.O.C.—even in those times, before Lord Ashfield was on the scene!—managed to come to some arrangement for the purpose of ensuring “harmony and union in working.” But by the end of the century the road transport revolution began: mechanical street traction arrived. I can just remember with what childish wonderment I saw the rag-time procession of motor cars travelling (some of them not travelling!) through Brixton in the course of their procession to Brighton in the '90's, and I recall with what sense of adventure I first boarded the novelty motor bus which travelled from Brixton Church to Clapham Common. . . .

London saw its first motor omnibus service in 1897; electricity propelled it between Charing Cross and Victoria. The second motor bus service ran between Kennington and Oxford Circus in 1899; it was petrol-driven. The coming of the motor bus seems to have precipitated wider and more violent competition than had been the case in the horse bus days. The London Road Car Company commenced the motorisation of its fleet in 1902, whilst the London General Omnibus Company did not place its first motor omnibus in service until two years afterwards. Two new motor bus companies were formed:

the London Motor Omnibus Company, which afterwards became the London Vanguard Company in 1905, and the Great Eastern Motor Omnibus Company in 1906. By 1908 intense competition had broken out. It led to the racing and "nursing" of rival buses, the duplication of routes and many collisions. The unnecessary competition proved to be wasteful, the losses incurred having been put at over a quarter of a million. Competition was followed by negotiations for amalgamation between the L.G.O.C., the Vanguard, and the Road Car Companies, the amalgamation of these three concerns being effected in the latter half of 1908, followed on January 1st, 1911, by the absorption of the Great Eastern Omnibus Company by the L.G.O.C. Apart from amalgamations, the L.G.O.C. by April, 1914, had secured working agreements with the following omnibus companies:

Metropolitan Steam Omnibus Company (100 omnibuses).

Tramways (M.E.T.) Omnibus Company (350 omnibuses).

British Automobile Traction Company (30 omnibuses).

New Central Omnibus Company (100 omnibuses).

Associated Omnibus Company (55 omnibuses).

Messrs. Thomas Tilling, Ltd. (150 omnibuses).

Gearless Omnibus Company (10 omnibuses).

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By this time, only the National Steam Car Company, operating 137 steam omnibuses, was working without any arrangement with the L.G.O.C.; in 1919 it withdrew its omnibuses from the central area and in 1920 changed its name to the National Omnibus and Transport Company (now part of the Tilling Group). On October 25th, 1911, the last horse omnibus of the L.G.O.C. was withdrawn. From that time until the outbreak of war, there was a rapid increase in the number of London motor omnibuses, the total average of the L.G.O.C. and its associates at the outbreak of war being 3,085. Of these, 1,319 were taken by the War Office for war purposes; at the end of the war the L.G.O.C. and its associates were running about 2,000; but from that time there was a rapid increase, the L.G.O.C. average increasing from 2,437 in 1921 to 4,540 in 1930, the mileage of roads over which the Company's omnibuses operated increasing in the same period from 685 to 1,143.

In the meantime, new complications arose. In August, 1922, London saw its first post-war independent motor omnibus; immediately prior to that date the L.G.O.C. and its associates controlled the whole of the omnibuses operated in the Metropolis. The Independents, partly financed by motor manufacturers, involved a new complication for the L.G.O.C. which had, since its inception, taken such pains either to absorb or come to arrangements with rival undertakings. In addition to the amalgamations already men-

tioned, the following ceased separate existence: the Metropolitan Steam Omnibus Company (1914), the New Central Omnibus Company (1914), the Associated Omnibus Company (1918), the Gearless Omnibus Company (1922)—all absorbed and disappearing into the L.G.O.C. or the Tramways (M.E.T.) Company, working agreements existing with the Tramways (M.E.T.) Company, the South Metropolitan Electric Tramways and Lighting Company, the British Automobile Traction Company, the East Surrey Traction Company, the National Omnibus and Transport Company and Thomas Tilling, Ltd. And now the L.G.O.C. was faced with increasing competition from the Independents, particularly during 1923 and 1924. During part of 1924, the Independent omnibuses were increasing at the rate of some 20 buses a week. This competition was embarrassing to the L.G.O.C. which retaliated by intensifying competition with a view to watering down the earnings of the Independents in order to discourage competition. We saw a recrudescence of "nursing" and racing. But the development was also embarrassing to the public interest from the point of view of congestion, regularity of service and, ultimately, the financial stability of the transport services upon which the travelling public depended, quite apart from the danger to the Trade Union agreements which had been arranged between the well-organised Transport Workers' Union and the L.G.O.C.

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In 1924 the tramway-men struck for better wages, and the omnibus workers struck in sympathy. Whilst it was not officially admitted, part of the settlement conceding higher tramway wages which the then Labour Prime Minister, Mr. Ramsay MacDonald, arranged with the London County Council and the Combine, was that legislation should be passed restricting omnibus operation in the London traffic area. A Bill drafted by the previous Conservative Government was introduced by the late Mr. Harry Gosling, Minister of Transport (whose memory is revered by Trade Unionists as the leader of the Thames watermen and the President of the Transport Workers' Union), and became the London Traffic Act on August 7th, 1924. It was supported by the London County Council, the London Traffic Combine, and the Transport and General Workers' Union. It was opposed by the London Labour Party and nearly all the London Labour M.P.'s, who took the view that it was conferring a virtual omnibus monopoly on the L.G.O.C., its associated companies, and the Independents who had so far established themselves, whereas we considered that the proper solution of the problem was on the basis of public ownership. The Act created the London and Home Counties Traffic Advisory Committee and gave powers to the Minister of Transport, after consultation with the Committee, either to prohibit or to restrict the number of omnibuses plying for hire in any street in the City or the Metro-

politan Police District, or to limit the aggregate number of journeys which might be made in either direction along any such street by omnibuses plying for hire.

From the point of view of preventing congestion and securing ordered services, undoubtedly the Act has done much good. Orders and regulations were promptly issued and have continued to be issued from time to time. On December 1st, 1925, the L.G.O.C. and its associated companies owned 4,373 omnibuses scheduled for operation and the Independents 601, making a total of 4,974. This represented an increase of not less than 1,521 since April 1st, 1923, of which the L.G.O.C. and its associates were responsible for over 964, and the Independents 557. The 601 omnibuses of the Independents of December 1st, 1925, were distributed among 197 different proprietors, many of them being one-bus firms. But when the position became practically stabilised under the London Traffic Act 1924, the L.G.O.C. again resumed its policy of absorption until in December, 1930, only 54 Independent proprietors remained, owning about 200 omnibuses. Whereas, in November, 1925, the Independents carried 12.96 per cent. of the omnibus passengers carried wholly or partly within a 10 mile radius of Charing Cross, by December, 1930, the Independents' percentage had dropped to 5.44.

It is a long story, this story of the London bus, but in many ways it is the most interesting

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and conclusive of all. The bus lends itself most easily to competition and small units of capital. The capital charges have, in a large number of cases, been rapidly paid off. Yet despite the ease with which the omnibus can be used as a competitive unit in transport, we see a persistent tendency in the industry itself and in public policy towards the London omnibus services being consolidated in one undertaking.

§ *Summary*

Having revealed the limited, disconnected beginnings of a large number of separate transport undertakings, we can summarise the degree of consolidation of the various forms of London transport at the time the London Passenger Transport Bill was introduced as follows:

1. Surface, subway, and tube railways;
2. Tramways;
3. Omnibuses; and at this point we must add the latest arrival
4. Motor coaches.

The development of the fourth need not be detailed, for it is within the recollection of all.

Classified according to system of transport, the ownership of the various undertakings was distributed as follows:

SOCIALISATION AND TRANSPORT

1. *Railways.*

- 4 Amalgamated Railway Companies.
- 4 Railway Companies in the Underground Group.
- 1 Metropolitan Railway Company.
- 8 Joint Lines.

Total 17

2. *Tramways.*

- 13 Municipally owned.
- 3 Company owned.

Total 16

3. *Omnibuses.*

- 8 L.G.O.C. and Associated Companies.
- 54 "Independent" proprietors.

Total 62

This figure does not include certain small undertakings operating in the belt between the outside limits of the Metropolitan Police District and the London Traffic Area, the number of which cannot be stated.

4. *Motor Coaches.*

In addition to the "Green Lines" Company—the largest motor coach concern,

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associated with the L.G.O.C.—there were about 20 other companies conducting motor coach services, which were taking up and setting down passengers within the London Traffic Area.

The degree of consolidation generally, however, is really greater than the above summary indicates, for Lord Ashfield's Underground Group of Companies had, by means of financial holdings or working agreements, acquired control of the operation of four statutory railway companies, three statutory tramway companies, eight omnibus companies and one motor coach company. Moreover in 1915 Parliament sanctioned a Common Fund for this group, to which the L.G.O.C. and the four railway companies of the Underground Group are parties. These companies, under the Common Fund, are able to work as one unit, to pool their resources and to effect considerable economies. It is an undoubted fact, whatever objections there may be in principle to a group of powerful private companies having such complicated financial facilities, that the Common Fund has enabled extensions and improvement of tube facilities to be provided which would otherwise have been financially impracticable. The Common Fund has not solved the problem of tube development by the unaided resources of private enterprise, but it has been of great assistance up to a point.

If we take account of this important develop-

ment, we can re-summarise the London transport undertakings as follows:

- The four Amalgamated Railway Companies.
- The Underground Group (Tubes, Omnibuses, Coaches, Trolley buses and Tramways).
- The Metropolitan Railway.
- The Municipal Tramways (nearly all having through-running arrangements).
- The Independent Omnibus Proprietors.
- The Independent Coach Proprietors.

And even in regard to the independence of the "Independent" omnibus proprietors, we must qualify it by recording that they themselves have organised for purposes of trade protection and consultation into the Association of London Omnibus Proprietors, Ltd., just as the "independents" in the motor coach business have their organisation.

Such is our story of small beginnings and big endings in London transport. A similar, though not identical, story could be told of the economic development of transport nationally. It all demonstrates that the phrase-mongers who even to-day urge a policy of free competition in transport are living, intellectually, in a world that is long since dead. Conservative politicians may praise competition: Conservative capitalists are killing it.

CHAPTER II

Commissions, Committees and Inquiries

LONDON'S TRANSPORT PROBLEM HAS CERTAINLY had its share of official inquiries and reports, none of which resulted in serious legislative efforts to tackle the problem fundamentally until the introduction of the London Passenger Transport Bill in 1931. Following is a list of such reports:

- Select Committee of the House of Lords on Metropolitan Railway Communication, 1863.
- Royal Commission on London Traffic, 1905 (Cmd. 2597).
- Select Committee of the House of Commons on Motor Traffic in the Metropolis, 1913 (H.C. 278 of 1913).
- Select Committee of the House of Commons on Transport in the Metropolitan Area, 1919 (H.C. 147 of 1919).
- Minister of Transport's Advisory Committee on London Traffic (Kennedy Jones Committee), 1920 (Cmd. 636).
- Royal Commission on London Government, 1923 (Cmd. 1830).
- Ministry of Labour Court of Inquiry (Chairman, Sir Arthur Colefax, K.C.) into the London Passenger Transport Strike, 1924.

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Inquiries held by the London and Home Counties Traffic Advisory Committee into the travelling facilities of N., N.E., E., and S.E. London, 1925-26.

London and Home Counties Traffic Advisory Committee Scheme for the Co-ordination of Passenger Transport Facilities in the London Traffic Area, 1927 (known as the "Blue Report").

Certainly, if Inquiries and Reports could have solved the problem, London would now be a veritable paradise of passenger transport. This long list is no credit to the executive capacity of British Governments. I fear that quite a number of the Inquiries were instituted, not because Governments did not know what was the right thing to do, but because they lacked the determination to do it.

What is material to the argument of this book, however, is that so far as economic considerations are concerned, there exists a remarkable unanimity of principle in these Reports extending over sixty-four years. Even the Lords' Select Committee of 1863, as we have seen, recommended that every system of internal railway communication for the Metropolis should be under one management. Naturally, having regard to the varying economic and political conditions of the times, the recommendations contained in the Reports were not identical, but it may be said that all the reports urged in principle—

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- (a) That all the transport services of the Metropolis ought as far as practicable to be placed under the control of one authority.
- (b) That the authority should be given powers to co-ordinate and control all passenger agencies in the Metropolis, in the public interest.
- (c) That Metropolitan transport services could not be efficiently managed by any existing organization of central or local government.
- (d) That the single authority responsible for Metropolitan transport should be a small and competent body.

The Royal Commission on London Traffic recommended in 1905 "the creation of a permanent authority, possessed of special knowledge and experience, and giving continuous attention to all questions affecting locomotion and transport in London." It urged that "railways and tramways dealing with urban and suburban traffic should be operated in large systems, under suitable regulations to protect the interests of the Public. Competition, in such cases, is seldom effective, and may be wasteful, while the existence of a number of railways and tramways under separate management, both adds to the working expenses, and reduces the facilities for through communication."

In view of the controversy surrounding my proposal that the London Passenger Transport Board should be appointed on suitable grounds

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of ability by the Minister of Transport, it is relevant to recall that this Royal Commission, reporting in 1905, recommended that the Traffic Board which it suggested should be appointed on much the same qualifications as were contained in my Bill, and that, "as efficiency is indispensable, the members of the Board should be specially selected by Your Majesty's Government." It also had to face the question of special municipal representation, but reported:

"It is very desirable that the Board should be in touch, and work in harmony, with the chief municipal authorities of London, and, on that account, we should be glad if it had been practicable for one member of the Board to be nominated by the London County Council and one by the Corporation of the City of London, but this course seems to us inexpedient, in view of all the circumstances of the case. It is impossible that all the county and other local authorities of 'Greater London' should be represented on the Board, and the objection has been raised that the authorities who were represented would be thereby given undue influence, to the prejudice of the other authorities whose interests might be conflicting. We are, therefore, driven to the conclusion that it will be best for all the members of the Board, including the chairman, to be appointed by Your Majesty's Government."

The Kennedy Jones Committee of 1920, which

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consisted of representatives of the Minister of Transport, the Police, and the Local Authorities in Greater London, reporting in 1923, unanimously recommended:

- (1) the establishment of a permanent statutory authority, with executive powers, under the Minister of Transport;
- (2) that the authority should be called the London Traffic Authority and consist of a Chairman and two members appointed by the Government;
- (3) that the members should be persons whose services and record would command public confidence and that they should be selected "on the assumption that their experience would enable them individually to specialise in the differing aspects of the traffic problem";
- (4) that the salaries and other expenses of the Authority should be paid out of moneys provided by Parliament and borne on the Vote of the Ministry of Transport.

The duties proposed for the Authority included:

- (i) the preparation of schemes for the improvement of London Traffic facilities;
- (ii) the preparation of an authoritative general development plan to which all new London transit schemes should conform;

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- (iii) the co-ordination in the public interest of all passenger transport agencies.

The Royal Commission on London Government summarised the preceding inquiries in paragraph 132 of its report, and in principle concurred as follows:

“On examining the recommendations of the four bodies of inquiry to which we have referred, in relation to the numerous and diverse services commonly included under the head of transport, we found certain common elements, viz. (1) that those services could not be efficiently administered within the limits of the existing organization of local and central government; (2) that they ought to be placed as far as possible in the hands of a single authority; and (3) that that single authority should be a small and expert body.”

The Royal Commission recommended the appointment by the Government of a statutory Advisory Committee for London and the Home Counties, to advise the appropriate Minister upon questions affecting London and a large surrounding area in relation to transport, town planning, housing, and main drainage.

On March 21st, 1924, the Ministry of Labour set up an Inquiry into the cause and circumstances of the London transport stoppage, which presented an Interim Report on March 24th, 1924. Its conclusions were—

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- (a) Throughout the Inquiry the merits of the claim on behalf of the Workers for an increase of wages were not seriously questioned.
- (b) The present crisis has, in the main, arisen through the Tramway Undertakings in the Metropolitan Area being unable to earn sufficient to meet the claim. This has been brought about by the severe competition of the omnibuses in the absence of any co-ordinating control, by the heavy expenditure on renewals and upkeep of the permanent way at present high costs, and by the discharge of the statutory obligations for the maintenance of the surface of the highway.
- (c) There is unanimity on the part of those who have appeared before us competent to express an opinion on the matter, that the solution for the present unsatisfactory position of the Industry in the Metropolitan Area is not to be found in an increase of fares.
- (d) All parties express the view, with which we concur, that without some co-ordinating control of passenger traffic within the Metropolitan Area, there is little, if any, prospect of improvement in the condition of the industry.
- (e) A definite undertaking by the Government to introduce and press forward legislation

placing the passenger traffic of the Metropolitan Area under some co-ordinating control affords, in our view, a basis, and the only one at present suggested, for re-opening negotiations between the parties.

Negotiations were successfully re-opened and it was in these circumstances, as I have already indicated, that the London Traffic Act, 1924, was passed. The London and Home Counties Traffic Advisory Committee set up under the Act was soon to be kept busy, not only in giving the Minister advice as to the exercise of his powers in limiting omnibus competition, but in the series of inquiries into travelling facilities to and from North, North-East, East, and South-East London. Important evidence, up to his customary high standard, was given by Mr. Frank Pick of the Underground Group of Companies; indeed, it was largely the proposals of Mr. Pick which formed the basis of the final recommendations of the Committee.

In reporting on the East London problem on August 7th, 1926, the Committee said:

“Finally, the Committee desire to add that the evidence submitted at this Inquiry strengthens their view that no lasting solution of the London passenger transport problem can be secured so long as the present competitive methods are pursued. It is only by the elimination of all wasteful, uneconomic and unnecessary competition between the various

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transport agencies, that it will be possible for any considerable improvements to be effected, particularly in the way of the construction of new underground or surface railways. As a means towards this end, the Committee in their report upon the Inquiry on the travelling facilities to and from North and North-East London, stated that the proposals submitted at that Inquiry for the establishment of a Common Management and a Common Fund appeared to them to present a possible solution of the whole problem of London passenger transport. The evidence submitted at the Inquiry upon which this report is based has convinced the Committee that the unified management of the local transport agencies, *i.e.*, underground and other local railways, tramways, and omnibuses, would provide the only permanent solution of the whole problem of London passenger transport."

This principle of co-ordination instead of competition was again affirmed in the Report of the Advisory Committee, dated January 31st, 1927, with regard to travelling facilities in South-East London. The Committee stated:

"We recognise that would-be passengers frequently experience difficulty in boarding omnibuses and tramcars at such points as New Cross Gate and the Elephant and Castle, owing to the fact that these vehicles have been completely filled by long-distance travellers, but we

consider that the remedy lies not in the provision of further vehicles to traverse the streets, but in bringing all forms of public passenger transport facilities in London under public control, in order that their operation may be complementary rather than competitive, and so arranged as to meet the requirements of the travelling public."

It must be remembered that these condemnations of competition in transport do not come from Socialists—who for forty years had been condemning competition as wasteful—but from an Advisory Committee composed, in the main, of persons who were Conservative or moderately Liberal in politics.

The Committee was authorised by the Minister of Transport on April 19th, 1926, "To discuss with the companies and municipalities engaged in the operation of transport undertakings in the London area whether any further co-operation or combined action was possible or desirable." This led to the production of the famous "Blue Report," dated July 27th, 1927, published under the official title of "A Scheme for the Co-ordination of Passenger Transport Facilities in the London Traffic Area." The scheme proposed by the Committee was outlined in paragraph 2 of its Report:

"2. *Outline of Scheme.*—The scheme provides for the consolidation of the passenger transport services of London, with such public

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control as is required to protect the interests of the community in the matter of:

- (a) the level of fares,
- (b) the adequacy of services,
- (c) development to the limit of available resources.

“ In order to remove all the sectional financial interests and to ensure that the consolidated services work efficiently and economically, it further provides for the setting up of a Common Fund and a Common Management, to which the passenger transport undertakings operating wholly or partly within the London Traffic Area, comprising underground and other local railways, tramway and omnibus undertakings, should be parties.

“ The ownership of the existing undertakings would remain with the present proprietors, whether they be municipalities or private companies, but an exception to this principle or some variation of it may be necessary in the case of the small omnibus proprietors having regard to their numbers and the small interests which they severally represent.

“ So far as the present amalgamated railways are concerned, it is not suggested that they should be parties to the scheme in respect of their London suburban traffic. Complications, both of accounting and operation, would be involved in such a step, as well as a possible

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conflict of interest. It is, however, desirable that powers should be conferred upon all such Companies to enable them to enter into agreements with parties to the scheme for the routing, exchange, and clearance of traffic; the provision of through services; the leasing and/or working of any of the suburban lines; the pooling of receipts, and other matters of common interest. These powers would be permissive in nature and not compulsory.

"The Committee feel satisfied that, if the proposals set out in this memorandum are accepted, the transport undertakings concerned can be made self-supporting without any increase in the general level of fares now prevailing."

In effect the Committee contemplated a monopoly, and as existing ownerships were to be preserved, it was clear that that monopoly must be predominantly a private monopoly and that the Common Management would, in those circumstances, be the management of the London Traffic Combine, which in turn involved a number of the municipal tramways being transferred to the management of a private company. Moreover, the Committee urged that the Common Fund and the Common Management should be set up for a minimum period of forty-two years.

It was inevitable that the London Labour Party and the Labour Party generally should oppose such proposals. It was a matter of great regret

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to us to find that the Trade Union representatives on the Committee, although members of the Labour Party, had in their Trade Union capacity signed what we regarded as, on the whole, an anti-Socialist report. I think the view of the Trade Union members could be summed up in this way: "Competition is endangering the working standards of our members; something must be done now to stabilise the industry; and as there is no immediate prospect of public ownership, we think it best to concur with the proposed scheme." In the event, of course, there was a Labour Government less than two years afterwards, and in a little over two years public ownership not only became practical politics, but was in course of being embodied in the Labour Government's Bill. It was inevitable that in the course of the Labour Party's opposition to the proposals and to the subsequent Traffic Co-ordination Bills, the signatures of the three Trade Union representatives should be thrown at us.

Nevertheless, in a more or less negative sense, the bare economics of the Report were the economics of the Socialist criticism of capitalist competition. The Report condemned with emphasis the competitive system. It urged co-ordination and a common management for all London passenger transport. The Committee, of course, had to take into account that they were advising a Conservative Minister, Colonel Wilfrid Ashley, who was President of the Anti-Socialist

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Union. They doubtless took this circumstance into account in making their report and probably acted upon the assumption, from which I dissent, that one can never get the British to do the right thing if there is an opportunity of pausing at some unsatisfactory half-way house. The Committee had certainly gone much further than any previous Inquiry in producing a concrete scheme, incomplete though it admittedly was. But this scheme, which preserved all the multiplicity of separate ownerships, and which banded the municipal tramways over to a private monopoly, was not a scheme of real consolidation and unification. If carried, it might have prevented those root and branch changes which I regarded as necessary from being brought into operation for many years to come.

CHAPTER III

The Traffic Co-ordination Bills 1928-29

IN THE BLUE REPORT THE ADVISORY COMMITTEE insisted upon the urgency of dealing with the London transport problem and attached great importance to obtaining immediate Government approval in principle to their scheme before opening negotiations with the London County Council, the Underground Group of Companies, the Metropolitan Railway Company, and the other transport undertakings concerned, with a view to the preparation of a detailed scheme. The Government, however, refrained from taking responsibility in the matter and would only consent to the introduction of a Government Bill provided it was sufficiently non-controversial not to take material Parliamentary time. The Minister, Colonel Ashley, with the advice and assistance of Sir Henry Maybury as Chairman of the Traffic Advisory Committee, received representatives of the London County Council—of which I was one, as leader of the Labour Party¹—to ascertain their views, and told them that a Government Bill could only be contemplated if

¹ This chapter and some others (particularly Chapter VII) have, I am afraid, a somewhat personal tone which, in the circumstances, is unavoidable.

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it was a non-controversial measure. The Municipal "Reform" Party representatives were willing to agree, but I informed the Minister with the greatest emphasis that the Bill would be regarded by the Labour Party as a highly controversial Bill, and that it would utilise every legitimate means to defeat it. That killed the Government Bill idea.

The Minister subsequently brought together representatives of all the undertakings concerned, at which meeting I am afraid the Labour Party representatives again made themselves a nuisance. Moreover, the assent of the Labour local authorities in extra London owning tramways, the main line railway companies, the Metropolitan Railway, and the independent omnibus proprietors had not been secured, so that practical and effective negotiations became substantially confined to Lord Ashfield's Group of Companies and the London County Council. The L.C.C. Labour Party, for reasons readily understood, were not brought into these negotiations, which were commenced largely on the initiation of the then Minister of Transport. An effort was made to reach an agreement between Lord Ashfield's Group of Companies and the Council without legislation, but it was soon found that legislation would be necessary. As a result, there was presented to Parliament in the Session of 1928-29 two Bills: the London County Council (Co-ordination of Passenger Traffic) Bill, and the London Electric Railway Companies (Co-ordina-

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tion of Passenger Traffic) Bill. The Bills can be described quite shortly, for they were only Enabling Bills. They sought to confer upon the L.C.C. and the London Traffic Combine authority to make agreements providing for:

- (a) the Common Management, maintenance, operation, development, improvement, etc. of their respective undertakings;
- (b) the allocation and apportionment of traffic, including receipts and expenses;
- (c) the establishment of a Common Fund and the control, management and application of such a fund.

The Bills also enabled the two parties to enter into similar agreements with any other transport undertakings operating wholly or partly in the London Traffic Area. Obviously the substance of the whole business would have been embodied in the agreements, but it is understood that the drawing up of agreements never reached the stage of finality; in fact, it was never intended that they should even be scheduled to the Bills.

The Minister of Transport referred the Bills to the Traffic Advisory Committee for advice. Sir Herbert Walker, the representative of the main line companies, continued the attitude of independence which he had taken in respect of the Blue Report. Mr. Mallender of the independent omnibus proprietors concurred in the recommendation to support the two Bills, but was

apprehensive as to whether the agreements made under the Bills would not go too far in the direction of the Blue Report, which he did not wish to see adopted. The three Trade Union representatives, Mr. J. E. Binks of the National Union of Railwaymen, and Mr. John Cliff and Alderman Ben Smith, M.P., of the Transport and General Workers' Union, dissented from the recommendation that the Government should support the Bills, because they did not fully apply the recommendations of the Blue Report, and because, in their view, the Government itself should bring in legislation implementing the Blue Report. The majority of the Traffic Advisory Committee, in view of the importance of the two undertakings concerned, recommended the Minister to support the Bills as a first step, subsequent effect being given to the Blue Report. It was admitted that the Bills were different from the Blue Report in two important respects, namely, that they only comprised two (though important) undertakings, and that it was impossible under Private Bill legislation to set up public control in the form and with the scope referred to in the Blue Report.

The Government, as was anticipated, supported Bills which saved them the trouble of handling a ticklish problem on their own responsibility.

A vigorous fight against the Bills was launched by the London Labour Party and the London County Council Labour Party. I was in charge of the fight from the Labour side, and for all of

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us it was a most strenuous, detailed, and responsible public struggle. It was a real stand-up fight between London Labour on the one hand, and the Government, the London County Council, the Municipal "Reform" Party machine, the London Traffic Combine and the bulk of the Press on the other. The grounds of the Labour opposition to the Bills as introduced were stated in a pamphlet published in 1929¹ as follows:

1. The Traffic Advisory Committee's scheme included the co-ordination of every passenger traffic service within the Metropolis, but the Council's Bill may result in important services being left out of the scheme.
2. The L.C.C.'s original recommendation provided for the unified control of the traffic undertakings being vested in a statutory authority, representative of the public, but the Bill makes no such provision; so that the Bill departs not only from the scheme of the Traffic Advisory Committee (which made a somewhat similar recommendation) but also from the Council's own resolutions.
3. Terms having virtually been settled between the L.C.C. and Lord Ashfield's Companies, the Bill is calculated to compel other municipal traffic-owning authorities to come into the scheme under pre-determined conditions.
4. Although the Bill provides for the payment

¹ The London Traffic Fraud (1d.) by Herbert Morrison; London Labour Publications Ltd., 258/262 Westminster Bridge Road, S.E.1.

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into a common fund of the whole of the surplus receipts of the L.C.C. tramways, it permits of receipts of Lord Ashfield's Companies being first diverted into a private pool of their own, so that only the balance will be payable into the common fund.

5. The control of London traffic, including the L.C.C. tramways, will be handed over to private directors. The Bill provides for the L.C.C. to be represented on the directorate, but does not state the number of representatives. Lord Ashfield has offered two out of twenty!
6. The Bill makes no definite provision as to what is to happen to the £17,000,000 of ratepayers' money which has been spent on the L.C.C. tramways.
7. In spite of the safeguards against increases of fares, previously promised by the Council, the Bill permits the increasing of fares in order to pay dividends on private capital which may not have been able itself to earn such dividends. It has been definitely stated that a "reasonable return" (not yet specified!) on capital must be earned, even at the expense of increased fares.

The Bill safeguards dividends for the shareholders of Lord Ashfield's Companies rather than the interests of the travelling public.

8. The Bill puts no stated limit to the amount

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of dividends or even on the amount of capital on which dividends are payable.

9. No Government audit of traffic accounts is stipulated by the Bill; it makes no provision for the publication of the auditor's report; nor any audit of the Combine's private common pool.
10. The Bill gives no effective redress against increases of fares, withdrawal of cheap travelling facilities or reduction of services.
11. There is no adequate provision in the Bill for continued employment of the workers in the industry.
12. There is no effective power to enforce reductions in fares.

The London County Council made the fight of its life for the Bills, and I shall ever be grateful for the loyal and energetic co-operation I received from my colleagues of the London Labour Party staff and the L.C.C. Labour Party in a struggle which was bound to make or unmake London transport history.

By moving a considerable number of motions and amendments we involved the Council in two all night sittings on November 6th-7th, 1928, and December 11th-12th, 1928.

The following, from the pamphlet quoted above, summarises the line we took (having regard to the proposed private management), and the attitude of the Municipal "Reform" Party which rejected all our proposals:

REJECTED MOTIONS AND AMEND-
MENTS, NOVEMBER 6th-7th, 1928

*(On consideration of the Report of the Special
Committee on Traffic)*

Requiring the Finance Committee to submit an adequate and comprehensive report upon the financial aspects.

Requiring a conference with other municipal tramway undertakings in Greater London.

Requiring technical reports of officers upon the proposals.

Postponing consideration of the Special Committee's report until the proposed agreement was before the Council.

Postponing consideration until the electors of London had expressed their judgment at the coming Parliamentary General Election.

Postponing consideration until relevant documents submitted to the Special Committee on Traffic had been released from the "Private and Confidential" standing order.

Postponing consideration until the Special Committee had considered as to whether the action of its Chairman in communicating personally with Lord Ashfield was consistent with the standing orders.

Expressing the view that the proposed legislation was unsuitable for Private Bill and should be dealt with by Public Bill.

Making municipal control of the Common Management and Common Fund a condition. (A Liberal amendment.)

To provide that all new capital expenditure should be approved by a public authority and owned by a public authority.

To provide that workmen's fares and other popular facilities should be extended to the omnibus undertakings.

To provide that there should be no increase in fares or withdrawals of workmen's fares, the 2d. midday fare, or other popular facilities without the sanction of the Council.

To provide that the agreement should not become operative until specifically approved by resolution of both Houses of Parliament.

To provide for municipal representation on the directorate of the Common Management in a proportion which should have some relation (a) to the municipal capital invested; (b) to the public interests involved in the establishment of a traffic monopoly; and (c) should be of sufficient elasticity to provide for an increase in municipal representation as the relative amount of public capital grows.

That the Trade Unions and Staff Associations concerned be consulted on the question of a suitable form of protection for the administrative staffs and workpeople affected by the operation of the scheme.

REJECTED MOTIONS AND AMEND-
MENTS, DECEMBER 11th-12th, 1928

(On consideration of the draft Parliamentary Bill)

Postponing consideration until the proposed agreement with the Combine was before the Council.

Postponing consideration until the appropriate Committees had reported upon the terms of the associated Combine Bill, which was not before the Council, and which members were not allowed to refer to, although the Combine had seen and secured revisions of the Council's Bill.

Limiting interest to a maximum of 5 per cent., or 1 per cent. in excess of average bank rate, whichever is the lower.

Omitting the alternative providing for the retention of the present private common fund of the Combine in addition to the proposed common fund.

Provision aimed at preventing recognition of virtually worthless private capital.

Providing for six months' notice to terminate agreement if given by local authorities representing three-fourths of municipal capital involved.

Municipal resolutions approving agreement not to be valid unless passed by three-

fourths majority (as in the case of the Combine companies).

Preventing appointment of auditors who have had business or commercial relationships with any or all parties to the agreement.

Requiring the publication of auditors' reports and an independent audit of the Combine's private common fund.

Majority of directors to be municipal nominees.

It is true that the Labour Party was not disposed to compromise on an issue which it regarded as one of fundamental principle, but the rejection of the motions and amendments summarised above is eloquent of the indifference of the Municipal "Reform" Party to the public interest in many important respects. One cannot be surprised at this, because the Municipal "Reform" Party, then known as the Moderate Party, opposed the old Progressive Council when it took over the tramways; if that attitude was subsequently dropped for reasons of political expediency, it is fair to recall that in earlier years the Moderates had advocated the sale of the tramways to private enterprise. Their 1928 scheme did not propose to sell the tramways. In a sense it is almost true to say that they proposed to give them away on condition that the Council shared in the profits, if any. It is certainly true to say that they proposed to hand them over to the Traffic Combine to manage under a directorate which would consist almost entirely of private

capitalists; and this is a point which it is material to remember in connection with their opposition to the Labour Bill on the ground that it removed the tramways from the control of the municipality! Having made a great effort to hand the tramways over to the management of the Combine, they suddenly clothed themselves with a white sheet and opposed our Bill on the principle of local self-government. In the history of public administration there is surely no more pitiful instance of humbug.

At the Fifteenth Annual Conference of the London Labour Party, held on December 1st, 1928, the following resolution which summarises the Labour view, was adopted:

"That this Annual Conference of the London Labour Party, widely representative of the London Labour, Trade Union, Co-operative and Socialist Movement, expresses its alarm at the proposal of the London County Council to transfer the management of London's municipal tramways to a private trust.

"This Conference, speaking in the name of a very considerable section of the travelling public, strongly condemns the decision of the Municipal "Reform" majority on the London County Council to proceed by way of a Private Enabling Bill virtually to hand over the Council's tramways to the Traffic Combine.

"This Conference contends that as the present scheme was not before the electors at

the L.C.C. Election in 1928, and further, that as the Municipal "Reform" Party on the Council represents a minority of the electors who voted, the Council has no moral authority to proceed with its Bill; the Labour Party will therefore hold itself free, in the event of the Bills passing, to promote amending legislation at the earliest possible opportunity.

"This Conference, whilst affirming its belief in the necessity for the co-ordination of all London passenger transport facilities on a basis which is consistent with the public interest, contends that this is not possible through Private Bill legislation. It therefore declares that the problem must be dealt with by a Public Bill, and that such Bill must provide for the effective public ownership and/or public control of all the passenger transport facilities within the London traffic area.

"This Conference therefore calls for the whole-hearted support of the public of London in the fight against the Private Enabling Bills of the London County Council and the Underground Group on the following grounds:

- (a) That Private Bill Legislation is not the proper way to deal with the problem of London passenger transport.
- (b) That the proposals of the London County Council provide totally inadequate safeguards for the public and the workers engaged in the industry.

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- (c) That the proposals do not provide for an adequate public share in the management and control of the combined undertakings, or for the new capital going into the industry being under public control.
- (d) That the proposals secure to private capital the ownership and direction of practically all future extensions of London passenger transport.
- (e) That the proposals tend to limit the extension of those special facilities for cheap travel of which the municipalities have been the pioneers."

The London Labour Party attitude was energetically supported by the Parliamentary Labour Party. The Second Reading was taken in the House of Commons on February 19th and 26th, 1929, and with the support of the Conservative Government the Bills secured their second Reading by 161 to 107. From March 19th to April 19th, 1929, both Bills were before a Select Committee on Private Bills with Sir H. Cautley, M.P., as Chairman. Valuable aid at this stage, aid which was probably decisive in enabling the Labour Government to reject the Bills, was given by the Labour Metropolitan Borough Councils, who jointly petitioned and appeared against the Bills, and were ably represented by Mr. Stafford Cripps (later Sir Stafford Cripps, K.C., M.P., Solicitor-General in the second Labour Government). The Labour Borough Councils suffi-

ciently delayed the passing of the Bills, for although they had a Third Reading in the House of Commons before the General Election of May 30th, 1929, which resulted in the establishment of the second Labour Government, it was necessary under Parliamentary procedure for them to be submitted to the new House of Commons for another Third Reading. It was one of those little dramatic ironies of history that by this time the man who had led the opposition to the Bills had become Minister of Transport.

During Committee Stage the Bills had already been amended in certain respects—including compensation for displaced labour—but they were respects which in no way touched fundamentals. In any case I regarded the Bills as being so ineffective and contrary to the public interest in their fundamental principles that on July 17th, 1929, speaking on behalf of the Government as Minister of Transport, I definitely advised the House of Commons to reject them; they were rejected by 295 to 172. With the authority of the Government, I agreed that a responsibility rested upon us to produce alternative proposals and undertook that this should be done. The Conservative Opposition regarded this as the traditional empty Ministerial promise—but they were wrong.

CHAPTER IV

The Case for Competition Examined

EARLIER CHAPTERS HAVE SHOWN THAT THE historic evolution of London passenger transport has been away from small units independently operated towards increasingly big transport undertakings; that in the case of Lord Ashfield's Group of Companies we have already got to the point of one management controlling omnibuses, tramways, trolley buses, motor coaches, and underground railways; and that the consensus of opinion revealed in the reports of a number of official Inquiries is in principle against competition and in favour of co-ordination, this opinion being now widely supported among those responsible for the conduct of the transport undertakings. Whilst the London Traffic Act, 1924—Conservative in origin although passed by a Labour Government—left ownerships undisturbed, it was based frankly upon the view that free competition was contrary to the public interest and must be checked. If the argument of this chapter largely centres round London conditions, let it be remembered that the case is applicable to transport as a national industry.

Despite this desertion of the classical nine-

teenth century doctrine of competition by Conservative, capitalist, and official opinion, there is still in existence some measure of public opinion which hankers after competition. Among the transport people themselves, the independent omnibus proprietors favour competition, provided it is not allowed seriously to damage their interests; and those who control the policy of the Metropolitan Railway seemed, in their original opposition to the London Transport Bill, to be uncertain as to where they stood.

Recently, the party organisation which supports the Conservative majority on the London County Council, has made declarations which appear to exalt competition, denouncing my Bill as a Socialist monopoly. Curious, coming from the organisation which supported the Traffic Co-ordination Bills, having as one of their main purposes the elimination of competition!

The truth is that there exists a considerable degree of muddle-headedness on this question. It is largely a matter of personal interest rather than public policy. The anti-Socialist resident in suburbia who is a believer in free competition, does not want such a degree of competition that a large number of omnibuses are rattling up his street at night, shaking the house in which he dwells; or such a state of war between the omnibus undertakings that the main streets are made even more congested and dangerous, and large sums of the ratepayers' money required for extensive street widenings; but he would like to

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be able to walk to the corner of his street and find at least one bus with the right service number on it waiting anxiously for his custom, and he would even like a tube station within three minutes of his house. He probably desires competition in the service which he is likely to use without suffering any disadvantage from competition which other people want. Indeed, there is a temptation for everybody to think that competition is a good thing in every business but his own.

The independent omnibus proprietors sing loudly the praises of the self-made man and the great advance in bus comfort which they allege competition has brought to the travelling public; and they denounce the wickedness of a Labour Government's endeavour to interfere with their right to get their living in the way they happen to have chosen. Yet time and again independent omnibus proprietors have sold out voluntarily—usually at a handsome profit—to Lord Ashfield's wicked Combine, until their numbers have become greatly reduced.

Whilst they would like greater freedom under the London Traffic Act, 1924, to compete against their fellows in the more fruitful fields, they would not like the Act to be repealed and be left at the mercy of Combine and other competition once more. And when it was revealed that their profits ranged between 26 and 65 per cent., they considered the revelation to be very indelicate, and still issued leaflets putting themselves before

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the public as little men who were just scratching out a living.

Similar contradictions have come from the motor coach proprietors, both in their earlier arguments against the Labour Government's London Bill and against their treatment under the Road Traffic Act, 1930. Even the men who run the London Traffic Combine—which has patiently built up the widest monopoly it could get—can still extol the virtues of competition when their interests lie in that direction.

Free competition, though a little restricted under the London Traffic Act, 1924, is still a problem for the municipal tramways. But the Combine would not willingly give up that measure of competition as things stand. And in the fight for the right of the motor coach—when inscribed Green Line!—to compete on certain routes against the railways (even the electrified system of the Southern Railway), the Combine has put forward a case for the competitive principle which could teach the independent omnibus proprietors a good deal.

The arguments of the Conservative majority of the London County Council on the subject are influenced very largely by the colour of the Government which is in office; their record on London transport policy is so full of inconsistency, of subservience to private interests, and of political hypocrisy, that it almost defies description.

Even the motorist who has convinced himself

that tramways ought to be abolished everywhere, has had 50 per cent. at least of his judgment determined by the fact that he has not yet succeeded in hooting the tram-car off its rails.

The Minister who has to deal with the problem as a matter of public policy would be wise to listen to all these gentlemen, but to keep in mind Karl Marx's materialist conception of history, and not take them more seriously than they take themselves.

Here and there competition may bring restricted or temporary advantages. I am going to suggest, however, that, in the main, and in the long run, it produces the very reverse of the advantages of which its advocates boast.

Let us relate the arguments for free competition to transport. If the philosophy of free competition is sound, then free competition in transport should produce—

Good wages and conditions for the work-people employed.

Adequate capital expenditure on new developments, facilities and modernisation.

Adequate services everywhere.

Rock-bottom fares.

Safer, more pleasant, and more comfortable rolling stock.

Reliable and speedy services.

Let us submit free competition to the test of these desirable things.

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Good wages and conditions for the workpeople employed. It has been argued that the competition among employers in putting more and more competitive vehicles into service will improve the bargaining power of labour for better wages and conditions. I can only say that the whole history of transport is against this theory to such an extent that no body of opinion is stronger against unregulated competition than the Trades Unions of the transport industry. Free competition brings everybody down to the test of who can survive the longest. It inevitably tends to reduce average receipts per vehicle; and directly that happens there is a terrific urge behind the employer to "take it out of the men." Before the passing of the Road Traffic Act, 1930, the hours of labour of many motor coach drivers were a scandal from the point of view of the men themselves and from that of the public safety. Unfortunately, the stipulation of minimum conditions in that Act is not yet enforced in all cases, but given proper Trade Union organisation among the workpeople and good-will by the Government, this can be put right. The fact remains, however, that competition in transport is a risk for everybody, it being tolerably certain that, in due course, for the bulk of the workpeople concerned, it is bad for their standards of wages and hours, it means their working under nerve-racking conditions, and is injurious to Trade Union organisation. Trade Union agreements are difficult to negotiate and maintain side

by side with the existence of many competitive owner-drivers.

Adequate capital expenditure on new developments, facilities and modernisation. This argument is among the least tenable of the lot, particularly in relation to developments of substance. The ability to raise capital under capitalist conditions (and it is a matter of concern even in publicly owned undertakings), is largely determined by the capacity of the undertaking to secure that the new capital earns its keep, or by the undertaking being so prosperous already that the new capital is not an unduly risky investment. Free competition, producing a definite surplus of transport over reasonable maximum requirements, must reduce the return on the capital invested in the industry, so that present and prospective capital become subject to greater risk. Moreover, neither the investor nor the proprietors of the undertaking are greatly encouraged to invest millions in the construction of a new tube, for example, if they know that that new tube may be subjected to aggressive competition by other forms of transport.

The whole history of tube construction in London since the war proves this. The capital for the Morden tube extension was guaranteed by the Coalition Government after the war, whilst in the case of the Finsbury Park tube extension and certain (including Metropolitan) railway developments, part of the interest is being contributed by the State for a period of years. Com-

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petition has not kept London transport off public funds: it has pushed it on to public funds.

There is a general consensus of opinion, in which the railway company itself shares up to a point, that the suburban lines of the old Great Eastern and Great Northern Railways ought to be electrified. It is true that the handling of steam trains at Liverpool Street is done with remarkable rapidity, but the rolling stock and stations are unpleasant, and are bound to be so under steam conditions, whilst the service could be further improved by electrification. The defence of the London and North Eastern Railway Company is that, under competitive conditions, it cannot risk the attempt to raise the millions of capital that would be required, but that it is ready to go forward in association with the Standing Joint Committee to be set up between the Railway Companies and the Board under the London Passenger Transport Bill. Whilst I blame capitalist competition as a system for the state of these suburban lines, I cannot blame the Railway Management for taking this view so long as it has to work under present conditions. The Company's claim that if electrification is to be achieved it must either be subsidised or protected against competition is one to which there is no effective answer in view of its financial position.

In the case of omnibuses, it is not uncommon for the owner-driver to fail to set enough aside for depreciation and obsolescence.

Adequate services everywhere. It is notorious that

at the height of the competition between the Independent omnibuses and the Combine, the important competition took place on the profitable routes going through Central London. Here there became a superabundance of omnibuses. It is true there was a restricted amount of pioneering service on routes which could be made to pay fairly quickly, but in the main the competition was for the heavy traffics. Competition is always unlikely on routes which it is socially desirable to cover for the benefit of sparsely populated areas, but which cannot return a good profit and may be definitely unprofitable. Unless the profits on the heavy routes are sufficiently substantial to enable the undertaking to subsidise the unprofitable but socially necessary routes in the sparsely populated areas, the services on the latter routes will not be provided. Under vigorous competitive conditions, where all the operators are concerned solely with making the maximum profit for themselves, and not with public service except so far as it gives them a directly profitable return, it is certain that the less profitable or unprofitable routes will be neglected, however desirable it may be that they should be covered. If continued for a sufficient time, competition makes it less and less possible to guarantee adequate services everywhere.

Similar arguments affect the railways. Out of the collective funds of the company it may maintain services for a time which have been largely undermined by competition, but if the

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competition continues and the railway company is unable to afford the capital expenditure required for the electrification which might enable it to get the traffic back in due time, it will reduce the service and even close stations.

Rock-bottom fares. Consistently with properly-equipped vehicles and adequate labour conditions, fares can be at their lowest only temporarily under free competition, which involves serious waste of capital and running costs.

Safer, more pleasant and more comfortable rolling stock. There has been a greater measure of improvement in the rolling stock of both omnibuses and tramways since the passing of the London Traffic Act, 1924, which restricted competition, than was the case before. It is true that the "Independents," before the Act was introduced, brought in some improved omnibus types, but if there is one thing more certain than another it is that in the long run free competition would have made the expensive and luxurious bus financially impossible, for the logical end of free competition with its inadequate earnings must be steady deterioration in the standard of maintenance, and the purchase of cheaper and less pleasant vehicles. Both in the maintenance and over-haul of the vehicles themselves and in respect of danger arising from racing and congestion, it is clear that free competition is contrary to the interests of public safety.

Reliable and speedy Services. A multiplicity of omnibuses provided by competing firms is often

imagined by the unthinking to be advantageous, in that there are so many omnibuses that the passenger will never have to wait for one. Omnibus competition, not only in London but in other parts of the country, has proved this to be an illusion. The competitive omnibuses tend either to go too fast or too slow. They tend to chase each other; to "nurse" each other; to try to arrive at a traffic point before the competitor in order to pick up the waiting passengers; or to hang about at the traffic point in the hope that more passengers will arrive. If they are likely to arrive at an emptying theatre somewhat before the play is over, they will tend to hang about so as not to be too early. The purpose of the operator under highly competitive conditions is, indeed, not to provide a systematic service, but to scoop the profitable traffic. In the long run the spirit of service is inconsistent with the practice of free competition.

From these brief arguments I think it must be plain that, far from free competition bringing a higher measure of social good—at any rate in transport—it tends to give us the highest measure of social ill. Indeed it is bound to be so. The theory of the passenger spreading himself over two seats in one of a large number of competitive omnibuses when he has only paid for his own seat will not do. In the end the empty as well as the occupied seats must be paid for: by the passenger paying a needlessly high fare; by the

less profitable routes being neglected; by the vehicle being allowed to deteriorate; or by the workpeople being worked under bad conditions. The remarkable thing is not that the doctrine of free competition has been blown sky high by Socialists, or even that it has been set aside by anti-Socialists: the remarkable thing is that this economic absurdity has possessed the public mind as long as it has.

At the end of the last century it was the Socialist critics of competition who were held to be mere theorists, dogmatists and doctrinaires who were intellectually removed from the realities of the economic world. In 1933 we can safely say that the boot is on the other leg: that it is the anti-Socialist defender of competition in transport who is up in the air, whilst the Socialists, the Transport Workers' Union, the Railway Unions, and that very capable non-Socialist opponent of competition, Lord Ashfield, have their feet on the solid earth of experience and economic fact. What both Lord Ashfield and the Socialist argue (if for the moment we forget Green Line-coaches!) is that competition is wasteful and, on the whole, a check rather than an incentive to enterprise, development, and modernisation. While Conservative politicians have been extolling the virtues of competition, Conservative capitalists like the directors of the London Traffic Combine have been eliminating competition; moreover, the Conservative politicians themselves drafted the London Traffic Act, 1924, the purpose of

which was to put a severe check upon competition.

The independent omnibus proprietors have made many declarations explaining the advantages of competition and urging the rights of the smaller owner, but a large number of them were not unwilling to contradict themselves by selling out to the Combine, thus limiting the field of competition.

The whole economic and political history of London transport constitutes a striking repudiation of competition by its theoretical advocates. The Socialist has often been reminded by superior critics that fact is stronger than theory. I do not dispute the observation. The facts are on my side.

CHAPTER V

The Case for Consolidation

REJECTING THE THEORIES OF THE SCHOOL OF thought which believes in competition, the London Passenger Transport Bill was clearly aimed at securing the maximum possible consolidation of London passenger transport; its only limit in working out this purpose was the limit of practicability. It proposed to merge into one undertaking all the tube and underground railways, all the omnibuses, the municipal and company tramways, and the motor coach traffic of the London traffic area.

The Bill did not propose to transfer to the London Passenger Transport Board the suburban lines of the main line railways for one reason only: it was impracticable. The suburban lines of the four amalgamated railway companies are physically part of the main line system. We could not chop them off at the circumference of the London traffic area; nor could we divide the buildings, stations, and administration of the London termini into main line and suburban. So far as the London Bill was concerned, therefore, the ownership of the suburban lines had to remain where it was. If the policy of public ownership was to be applied to them at some

time, it must be applied when the national transport problem was being dealt with. But the Bill did not leave the suburban lines out of account. From the beginning it provided for a joint committee between the new Board and the main line companies for the purpose of discussing and arriving at agreements, subject to the approval of the Minister, for inter-working arrangements, through booking, and even the pooling of receipts. It was at the request and insistence of the main line companies themselves that subsequently closer and more binding arrangements were incorporated in the Bill; and it was only when I conceded these more definite provisions that the main line companies withdrew their opposition to the preamble of the Bill. Certainly the railway companies would not so argue it, but their attitude on this point was a flattering compliment to the commercial soundness of the socialistic policy embodied in the Bill.

If the anti-Socialist assertion that socialisation inevitably fails were true, the railway companies had nothing to fear and everything to gain by the emergence of a publicly owned monopoly managed by a public authority. The railway companies, however, were in the greatest fear of the efficiency and power of the projected public monopoly; it was because of this fear that in the negotiations they fought hard for definite provision for a pooling scheme. It was not that they had to fear the reckless policy of an incompetent public body which had the unlimited purse of the

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taxpayer and the ratepayer behind it, for the Bill gave the Board no right to dip into the public purse, nationally or locally: it had to pay its way. It was the potential efficiency and commercial soundness of the scheme which caused such apprehension in the minds of the four amalgamated railway companies.

At some stage or another various undertakings wanted to be left out—Tilling's omnibuses, the independent omnibus proprietors, the motor coach people: all wanted to know why *they* should be disturbed. The answer was the same to all of them: "You are essentially a part of the London passenger transport system. It is practicable to take you and, as the basis of this Bill is consolidation, you must come in." Do not assume, however, that any of these operators would have been willing to be left out to make what fight they could against the powerful competition of the new public board. Even if I had been willing to leave them out, they would have fought for the most stringent provisions to fetter the competition of the new public undertaking.

To such illogical devices the opponents of the Bill were driven. But some of these opponents were wise and negotiated agreements with us before the Bill had finished the Joint Committee Stage.

Lord Aberconway and the Metropolitan Railway were, in some respects, the most inconsistent of all the opponents of the Bill. They argued that the Bill was bad and that it would lead to

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inefficiency and muddle; they asked that it should be rejected. But if the Bill were passed, the Metropolitan Railway did not want just to be left out of it; they, like the main line railways, wanted to be protected against the competition of the Public Corporation by a scheme for the pooling of all receipts, which would, of course, have given the not outstandingly up-to-date Metropolitan Railway every advantage of the efficiency of the Board whilst themselves remaining in capitalist hands. Clearly if the new order of things really meant inefficiency, the Metropolitan Railway would have preferred to be left in an independent position and not to come into a pooling scheme, the advantage of which must be largely dependent upon the efficiency of the Board. The explanation, of course, is that the Metropolitan Railway knew perfectly well that the scheme of the Bill was good; it was thinking about the interests of the Metropolitan Railway Company rather than the public interest; which need not shock us, for that anti-social outlook is—as is to be expected—a fairly common characteristic of capitalist industrialism. The first duty of the directors was to their shareholders as they saw it—and properly so from the capitalist point of view. The Metropolitan even argued that it was not a metropolitan railway, but a main line company analogous to the Big Four. They pointed to maps showing that the line to Verney Junction ran miles beyond the London traffic area, but we could never make them ask

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us to chop those miles of line off and leave them with that bit of route: they promptly returned to the argument for the pool. The Metropolitan is, of course, as its name implies, a metropolitan railway. Much of its rolling stock and many of its dreary stations need modernisation, although its Stanmore extension—subsidised by State money!—is well done. The division of the ownership of the Inner Circle between the Metropolitan and Lord Ashfield's group must be bad for operation, and has in fact been instrumental in stopping the construction of a fly-over junction at Aldgate, which would materially increase facilities and services. So we claimed the Metropolitan, lock, stock, and barrel. But "Oh!" they cried in a last effort to prove that they were not as other underground railways, "look at us, we carry goods, we even carry coal." "All right!" I replied, "the Board will continue the good work"; which put the main line companies into a real state of anxiety lest the new Board should compete with them for certain goods and parcels traffic. Another testimonial to the potential efficiency of the Public Corporation!

I took the view throughout that it would have been fatal to compromise on the principle of complete consolidation. Once we had consented to any element in London passenger transport being left outside the scheme, the battle would have been lost and the result a makeshift. A compromise on detail, Yes; a compromise on something that did not conflict with the main

economic principle of the Bill, Yes; a compromise that we could conscientiously afford to make for the purpose of removing a serious and dangerous opposition to the Bill, Yes; but a compromise on the basic purpose for which the Bill was introduced, No. If that was to be done, I had no further use for the Bill.

The handling of industrial and economic problems by British Governments in the past has nearly always been based on the assumption that it is politically impracticable to make the fundamental changes which are admittedly necessary, and that to-day's policy must be to change things as little as possible. In other words, that to do the right thing is to do the wrong thing. "Yes," it is argued, "your big solution is the right one, but you cannot expect to achieve big solutions at one blow, so patch things up for the time being, get a little more public regulation, go back to the problem again in a few years, and get farther along the road." This was the spirit behind the London Traffic Act, 1924. And, apart from their hatred of public ownership, this also was the spirit of the London County Council in promoting the Traffic Co-ordination Bills of 1928-29.

This elevation of compromise and patching-up into a desirable principle of public policy before ever the tussle of negotiation begins is in almost complete possession of the minds of non-Labour politicians. In a large number of cases it involves the Minister in as much, or even more, trouble than going for the clean-cut logical solution to

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which the public can say either "Yes" or "No" as a business proposition. Time and again I was warned that I could not expect a logical solution on socialistic lines from the 1929-31 Parliament and in the circumstances of the time, and that I ought to make up my mind from the beginning that the principles of the Bill must be limited to the old policy of compromise and patching-up. The advice was rejected. Had I accepted it, I should have been involved in just as much opposition from the Tories; the public mind, which could judge my scheme as a workman-like whole, would have been confused with the complications of a carry-over arrangement; and the Labour back-benchers would have been dispirited.

The first clean-cut principle to be adopted, therefore, was that of single, undivided, unified ownership. Only on that basis is it possible, in my view, to get what is equally desirable, namely, unity and decision in management and operation. To be successful the management must be free—subject to safeguards for the persons employed in the industry—to use, disuse, or adapt in the public interest any of the physical assets comprised in the transport system. It can only enjoy the necessary elbow room, initiative and decision in management if the whole of the undertaking is in one ownership. If the undertakings are split up into a number of ownerships, it is inevitable that before policies involving physical changes are applied the interests of the separate owners

must be taken into account, discussions and negotiations must proceed and in the end, as likely as not, undesirable concessions or guarantees given or half-hearted policies pursued. It would be absurd to continue a state of affairs whereby the two ownerships of the Inner Circle Railway checked the freedom of the management to make improvements on the line itself or to alter the operation of traffic. It is absurd, as the London County Council proposed in the Co-ordination Bills, to hand over the management of its tramways to the Combine subject to reservations and restrictions which would impair freedom of management. Even in the London Traffic Combine itself, where Lord Ashfield and Mr. Frank Pick possess a large amount of supremacy, both because of the controlling interests of the holding company and the wide recognition of their personal ability, they nevertheless cannot ignore the fact that they are handling the property of a large number of separate undertakings.

Everybody—apart from the economic anarchists—would agree, therefore, that the ideal solution must be based upon a single ownership. But directly the word “ideal” is mentioned the old-fashioned political mind at once says: “Ah, yes, ideal: that is for the future.” And then there is produced some scheme of joint committees, working agreements, or even a common fund and common management for a host of separately owned undertakings; every such

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scheme of so-called co-ordination having to provide for the protection of the separate, and even conflicting, interests of the individual undertakings. That means fettering the management, limiting the power to scrap or adapt the physical assets, holding up or slowing down decisions in order that negotiations may take place with the separate owners who may have to be "squared." No, this kind of thing is really not worth the worry and energy and the Parliamentary time involved. If there is to be battle, let the issues be clear. It is, I suggest, far more effective for the purpose in view, and far easier for the public mind to understand, to go forward for that real consolidation and co-ordination which is only possible if we frankly accept the basis of a single, undivided ownership. We shall then be free to construct the fly-over junction at Aldgate, reduce the crowding of the trains to and from Barking, and remodel the routes (including the New Cross "spur" which should, if practicable, be physically linked up with the Southern) now converging on the Inner Circle, without having our nerves frayed by long arguments and negotiations between the District Railway and the Metropolitan Railway; indeed, I trust we shall be able physically to link up the tube and surface suburban railways, thus inaugurating through-running over a wide field. We shall then, by deliberate planning, be able to use the motor coach of the London traffic area as an express omnibus on roads where it is useful, without merely duplicating the

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efficient suburban electric services of the Southern Railway or duplicating the omnibus services themselves. We shall be able to take at last a bird's-eye view of the London passenger transport problem and, having all the agencies of transport in one ownership and management, be able to modernise where modernisation is needed, bringing the inefficiency of some up to the high state of efficiency of the best, nevertheless affording the public a reasonable choice of alternative facilities where desirable and economically practicable.

There has been too much "by your leave" in arriving at joint working agreements, and too much "give and take" at the expense of the travelling public in the partial elimination of competition between capitalist concerns, in the excessive protection of the rights of ownership, in the building up of common funds and common managements, and other expedients. The common management of a large number of separately owned undertakings can only say, "We are a common management, but we must take account of this, that, and the other, in connection with each of these concerns." The management of one undertaking which owns the lot can say, "This is ours, and we will do with it what we will in the interests of efficiency, public service, and the well-being of the workpeople in our employment."

What I have said with regard to the London problem is no less applicable in my judgment to

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the problem of British transport as a whole. It may be that we must fix a convenient limitation on the number of undertakings we place under one management, but in principle the same considerations apply nationally as apply to the London problem. The silly game of "beggar my neighbour" represented in the nation-wide war between road and rail for goods and passenger transport is not going to be solved by mere agreements between rival capitalist undertakings, or by the railway companies buying up omnibus shares at excessive prices. The principle of consolidation of ownership is vital nationally as well as for the London traffic area.

Once we have decided that policy must be based upon one single undivided consolidated ownership, we have also committed ourselves to the economic doctrine of monopoly—an ugly word under capitalist conditions, but a sound one to apply in the public provision of a planned transport system. And if there is to be monopoly, the next question to settle is whether that monopoly shall be public or private. A statutory private monopoly involves a number of other things which, in my judgment, are contrary to the public interest and to good management. A statutory private monopoly involves a greater degree of public supervision and regulation of some sort than a monopoly which is publicly owned and managed by a public body. A private monopoly cannot be trusted as much as a public concern to pursue the public good.

For the company monopoly has behind it hungry shareholders who attend the shareholders' meetings, and bring pressure to bear upon the directors to provide the highest possible dividend, even though damage is thereby done to the interests of the users of the service, to the permanent well-being of the undertaking, or to the legitimate rights of the workpeople employed. Even if dividends were limited, they would tend to be limited at a higher level than the interest charges of a public concern. And what becomes of capitalist "incentive" if dividends are limited? There would have to be much sterner control of fares, charges, facilities, and there would obtain much more costly contention about these things than in the case of a public concern. Statistical returns to and regulation by public authority of some sort would tend to be meticulous, irritating and severe in the case of a great private monopoly. The very evils of bureaucracy, red tape, interference, and Ministerial or municipal supervision—which the Conservatives advance against Socialism as a general doctrine—would in fact tend to be greater, even if the monopoly were established by a Conservative Government, because the monopoly was private and had as its great incentive the profit-earning motive.

This has been the case with the railways. The amount of supervision had to be increased by the Coalition Government when the Railways Act, 1921, was passed and the four amalgamated rail-

way companies established. Even so, a considerable amount of competition between the four companies remains. How much more severe would the public regulation and supervision of private enterprise be if there were established a complete private monopoly of transport nationally, or in the London traffic area? The railway managements already complain—and with some justice—that they are not free to manage, that the cost involved in statistical returns and reports to the Ministry of Transport, and in legal argument and the provision of expert evidence before the Railway Rates Tribunal, is great. Great as it is, it would be greater still if the competition between the four undertakings were ended by the establishment of a statutory private transport monopoly.

I suggest, therefore, that we are driven to the conclusion that, if we desire to reduce meticulous interference with and supervision of the management to the permissible minimum, we must establish a management and ownership in which we can place far greater trust than in that of a private monopoly: in short, that the best way to avoid the largely imaginary Conservative objections to Socialism is by socialisation. Once the public is convinced that public ownership and efficient management by a public concern for the public good is the basis of our policy, the sooner the public will be ready to concede greater freedom to the management. For ownership and management by a public body, coupled with the principle

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of management in the public interest which would be laid down in the statute creating the new authority, means that efficient public service is the prime purpose of the transport monopoly. The Managing Board itself, as in the London Bill, would require to be free from personal financial interest in any transport undertaking, including the undertaking for the management of which it was responsible. A large public concern employing able officers with a good status, supervised by a Board of able and public spirited people, is much more likely to resist improper influence, corruption, and jobbery and to insist upon clean administration and the supremacy of the public interest, than a private monopoly which has no real responsibility to the public.

I conclude, therefore, that in these times it is not only expedient that a transport monopoly should be publicly owned and managed by a public body, but that on balance it is increasingly the only practicable course to pursue.

CHAPTER VI

The Salter Report and the British Transport Problem as a Whole

NATIONALLY, THE ISSUES OF PUBLIC ECONOMIC policy in relation to transport are much the same as the issues raised by the organisation of passenger transport in the London traffic area. The situation nationally, however, is more serious than that which obtains in London.

By the time the Labour Government fell, in August, 1931, no conclusions had been reached by the administration as a whole, but my own views were clear: namely, that the valuable experience in the technique of socialisation which had been acquired in dealing with the London problem should be followed up by a policy analogous in principle applied to the graver national situation. This policy has now been embodied in a fair degree of detail in the Labour Party's Policy Report on the National Planning of Transport.¹ The passenger aspect of our national transport difficulties are serious enough, but that of goods transport is even more serious. The extended arguments brought to bear in other chapters in examining the economic considerations involved in the competitive system of passenger transport

¹ Labour Party, Transport House, Smith Square, S.W.1. 2d.

in the London traffic area can be applied in a general way to transport nationally, so that it is unnecessary to argue the national case at length. The railways, road transport (including tramways), the canals, coastwise shipping, and now within its limited field, air transport, are all competing for business. Apart from the co-ordination steadily being imposed by the Traffic Commissioners under the Road Traffic Act, 1930, between the various road (and to some extent, rail) passenger transport undertakings, the large number of separate undertakings which exist go their own way, not only irrespective of the consequences to competitors but also the well-being of British transport as a whole. The most acute aspect of the problem is the competition between road and rail.

The invention and development of the internal combustion engine has materially changed the transport situation during the present century. Motor vehicle manufacture and road motor transport are relatively young and vigorous industries which, apart from the general trade depression, are conscious of the vigour of their youth and have in some respects carried all before them. The economics of free competition constitute a prominent feature of their outlook on business life; but even the young industry of road motor transport is beginning to talk more in terms of capitalist co-ordination, co-operation, and combination; it is seeing increasingly—despite the denunciation of the Traffic Commissioners in the

early days of the Road Traffic Act, 1930—that road passenger transport would have been well on the road to ruin if this first legislative child of mine had not been passed.

§ *Shortcomings of the Railways*

The railway companies were pitifully slow in realising the enormous potentialities of road motor transport, and have been ineffective in getting their case across to the public mind as compared with the road transport interests. Moreover, the public remembers that in the days when they were supreme the railway companies tended to be somewhat bureaucratic and officious in dealing with railway users. The railways have been all too slow in recognising the need of making their stations and their rolling stock bright, cheerful, and attractive. Why are so many of their stations the picture of misery? Why do they make it so difficult for the passenger to see where he is when the train enters a station? In the modernisation of suburban services the Southern Railway has been the most active, having pushed on with the policy of rapid electrification; the lighting is enormously improved. I have often congratulated Sir Herbert Walker on the pluck with which the Southern carried through suburban electrification at great cost. But even so, the general lay-out and pattern of the rolling stock is much the same as it was years ago. Are main line railway coaches to remain in essential structure the same for all time? As a matter of

general commercial policy it is almost true to say that this must be wrong, for the suburban public which is compelled to spend time in travelling to and from business likes a change, and it would be wiser for the main line railways to give it to them rather than that the public should seek a change by using the motor coach. The Combine totally scrapped a considerable amount of tube rolling stock years before it was worn out because in its judgment the public had to have something better if its good-will was to be retained. I recall with pleasure the fight which the Labour Party made on the London County Council to cause it to modernise its tramways and actually to replace many cars before they were worn out. Despite the magnitude of these changes, all the undertaking needed to do to get its money back was to increase its traffic receipts by 1d. a car mile. This it achieved to such an extent that even the Municipal "Reform" Finance Committee almost urged the Highways Committee to move more quickly with its modernisation.

For many of their troubles, therefore, the railway companies have themselves partly to blame; but the public will be foolish if it thinks that that is all there is to be said on the much argued question of road versus rail. Sir Philip Gibbs' *Street of Adventure* taught us years ago that the journalist with deep personal convictions on a modern popular newspaper is liable to be something of a problem to his editor and a bore to his readers. There was somebody on the

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Evening Standard with a competitive road transport bee in his bonnet who used to break out nearly every other day in denouncing the Traffic Commissioners for their work of co-ordination, in asserting the right of the motor coaches to travel where they like, how they like, and as often as they like, and in urging the public wisdom of unfettered competition by the road transport undertakings against the railways and the pulling down of London to make room for them. But I have never noticed that he gets to the point of denying that railways are, and as far as we can see are likely to be, an essential element of the British transport system. It is at that point that the whole silly case of free competition in transport breaks down. In prophesying about transport it is always wise to interpose the qualification "as far as we can see"; and it is conceded all round that as far as we can see railways are a valuable and essential element of transport. They can carry great numbers of passengers and vast quantities of goods on their own permanent way speedily and cheaply, given efficient management and an adequate load. The transfer of the passengers and goods carried by the railways to road transport on the King's highway would involve a terrifying degree of congestion and the taxpayers and ratepayers in vast expenditure for highway construction, improvement, and maintenance, besides wasting the capital expended on the construction of over 20,000 miles of British rail roads. It is only when we add the loss of

this capital to the new capital expenditure required to accommodate the traffic on the roads that we arrive at an idea of the vast sums involved.

§ *Some Transport Economics*

It is essential to keep present in our minds this outstanding fact about railway management and operation as compared with road transport: that the minimum capital and maintenance charges which must be covered if financial stability is to be preserved, absorb a large proportion of the gross revenue. Successful railway operation, whether main line or underground, must enjoy a high "load factor"; that is to say, the whole system is constructed for mass traffics, and if the mass traffics (reasonably spread through the day and not merely at "peak" hours) are not forthcoming the minimum capital and maintenance charges cannot be covered. Whether a railway train—goods or passenger—is carrying 10 per cent., 25 per cent., 50 per cent., 75 per cent. or 100 per cent. of its maximum load, the capital charges and the bulk of the maintenance charges go on. Here and there economies can and perhaps must be effected, even though some of them may be false in themselves. But there is a point below which the fixed charges cannot be reduced; and it is a high point in relation to the total capital and operating costs.

Manufacturers with their own road vehicles and road goods transport undertakings of size are not in this position. Road transport units

can be withdrawn and sold; and when that happens the capital and running charges are to a large extent reduced proportionately, as is also the contribution to the Road Fund, which is road transport's contribution to permanent way costs. True, there may be a limited analogy with the railway in connection with overhead costs, and there may be a loss between the prices secured for disused vehicles and the depreciated cost, but the proportion of fixed capital and running charges in the case of road transport is nowhere near as great as in the case of the railways.

If the railways carry loads which are below their capacity to such an extent that they cannot adequately meet their fixed capital and running charges, some or all of the following consequences will eventuate in due time: the charges to the passengers and industries wishing or compelled to use the railway are increased; wages, salaries, and working conditions of the staff and employees are brought down; the standard of maintenance of the undertaking deteriorates; the profits are so low and the credit of the undertaking is so shaken that it is impossible to raise additional capital for modernisation and development; the steady fall in maintenance standards and efficiency further accentuates the difficulties indicated, resulting in a tendency towards open crisis. If and when the point is reached when it is fully established that private enterprise in railways under competitive conditions is unprofitable, we may be sure that our Conservatives will become

Socialists of sorts and—if only for military reasons—will put the nationalisation of the railways in the forefront of their policy!

The facts of this reasoning, I suggest, are indisputable. What are the consequences in public policy to which they lead? They are surely that political and industrial statesmen must think more and more in terms of transport as a whole and less and less in terms of railways, road transport, canals, coast-wise shipping, and airways; and that we must handle our transport organisation with directness and decision instead of assuming that by accident and good luck the provision of transport by competitive scramble will somehow work out for the best. Once we have done that, we can pursue the sensible course of enabling each form of transport to serve in the field where it is best fitted to serve. There are transport needs for which the railway is not the best medium: for example light traffics, branch routes connecting sparsely populated areas, or rural areas with the great towns; door to door deliveries for moderate distances; and so on. There is a field within which road transport is unquestionably superior to the railway, just as there is a field within which the railway is superior to road transport; so with the canals, so with coast-wise shipping. A unified, comprehensive transport system would concern itself primarily, not with capturing traffic for this or that form of transport, but with determining the most economical and efficient method of meeting this or

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that public requirement. Just as the various official Inquiries into the London passenger transport problem all led up to the conclusion that there must be consolidation, so I suggest it is equally inevitable that our conclusions about the organisation of transport nationally must be in the direction of a single ownership for the purpose of securing the co-ordination, unification, and managerial freedom which are essential to success.

§ Impossible Task of the Salter Conference

It is for this reason that I profoundly disagreed with the action of the present Coalition Government in setting up in April, 1932, the Conference on Rail and Road Transport, with the following terms of reference:

"From the point of view of establishing what would be a fair basis of competition and division of function between rail and road transport of goods, and for the purpose of furnishing advice and information upon which the Minister of Transport will invite the views of the Highway Authorities and other interests concerned, to consider the facts relating to the incidence of highway costs in relation to the contributions of the different classes of mechanically propelled vehicles; to consider the nature and extent of the regulation which, in view of modern economic developments,

should be applied to goods transport by road and by rail; and, in the light of any conclusions reached under these heads, to make such further recommendations as they are able to frame designed to assist the two sides of the industry to carry out their functions under equitable conditions, which adequately safeguard the interests of trade and industry; and to report by the end of July."

The Government was fortunate in securing the services of Sir Arthur Salter as Chairman, although I thought it rather unfair to a man of such ability and distinction to persuade him to undertake the somewhat uninspiring task. Sir Arthur Salter's ability and the accommodating character of the members of the Conference were manifested by the fact that the Conference, which consisted of four railway general managers and four persons associated with goods transport by road, were able to sign a unanimous report, although after the report was produced a whole series of road transport organisations have expressed their condemnation of it. It was an indication of the weakness of the Government that it set up the Conference at all. It already had before it the Final Report of the Royal Commission on Transport; it was for the Government to choose between the weak conclusions of the majority on national co-ordination and the clear-cut policy of the minority whose conclusions were on the general lines of policy for which this

book stands. The Government, however, had not the courage to make a choice; it had no mind of its own; and so it set up the Conference on Rail and Road Transport, giving it terms of reference which assumed the continuance of all the separate undertakings and conflicting interests, and asking the Conference to produce proposals for the more gentlemanly conduct of the mad competitive game. Competition was to go on, but the Conference was asked to produce "a fair basis of competition and division of function." It was asked to produce a basis of road transport taxation in relation to the incidence of highway costs, obviously with the intention of imposing additional taxation on road transport so as to increase the competitive power of the railways. The Conference was asked to consider the nature and the extent of the appropriate regulation of road and rail transport. And finally it was permitted to produce any further recommendations calculated "to assist the two sides of the industry to carry out their functions under equitable conditions." The Conference was really told to produce all the benefits of socialisation without socialisation; they were forbidden to question whether there was anything fundamentally wrong with a competitive system based upon a large number of conflicting separate ownerships.

Without committing myself to the conclusions of the Conference—in which I confess I am not very much interested—let me admit that the Salter Report is an able and informative docu-

ment. Based upon elaborate statistical calculations, it produced "agreed" increased scales of Road Fund taxation on commercial road transport—which were promptly denounced and the Report's facts challenged with great vigour by important organisations representing road transport interests. I venture to say that the Government will not apply the recommendations of the Salter Report in this respect, and that if it tried to do so it would have almost as much trouble in getting its proposals accepted by Parliament as if it went out for a direct general policy of socialisation. There is a case to be made for the view that in relation to the damage it does to the highways and the costs it involves to the State and the local authorities, heavy goods road transport is not making its proper contribution to the Road Fund, but any approach to the wider problem of the relationship between road and rail transport on the basis of increasing road transport taxation for the purpose of putting the railways into a better competitive condition is, in my judgment, fundamentally unsound. For this purpose, taxation is a clumsy weapon. With the recommendations on regulation and licensing for the purpose of securing greater public safety and reasonable minimum conditions of labour in commercial road transport I have great sympathy, but I doubt whether it is worth all the cost, bother, and irritation of setting up machinery of regulation on the scale proposed, when it is possible to secure more adequate and definite results in these

matters by bringing long distance road and rail transport under a common management.

§ *Road v. Rail : The Arguments*

Considered from the competitive point of view there are, of course, inequalities or differences in the conditions under which road and rail transport operate; it is to these differences that most of the discussion has been directed. It is true that the railways meet the entire cost of the construction and maintenance of their stations and permanent way, and are then called upon to pay local rates thereon; this burden, however, has been greatly lightened by de-rating, the Companies being required to pass the benefit on to certain users. But it is only fair to add that the railways were not left freedom of choice as to the classes of merchandise which should benefit from freight reductions; largely they were compelled to pass on the benefit of de-rating to traffics (including exports) which would not be carried by road. On the other hand, they have the operating advantage of enjoying the exclusive use of the track and do not suffer from those obstructions and delays which are experienced by road transport because of the presence on the highway of a large number of miscellaneous users. The railway speeds are consequently—or perhaps we should say, should be—greater than those attained by road transport. The railway interests also point to the fact that they have to maintain an elaborate

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signalling system, whereas the cost of the police force on traffic duty is met out of public funds.

The road transport interests answer that they contribute through the Road Fund a considerable proportion of the cost of constructing, improving, and maintaining the highways and that, as taxpayers and ratepayers, they make, in common with others, their contribution towards the cost of the police. In any case, they argue—as indeed the Salter Report admits—the highways are not constructed for the exclusive benefit of motor transport, and the police on traffic duty, as distinct from the mobile police, are not functioning solely for the benefit of motor transport. The very existence of houses, shops, business premises, factories, and even railway stations, make highways a necessity for pedestrians, for householders, and for industry. The highways are used for the purpose of laying water, gas, and electric mains, and they carry telegraph wires. It is urged that the traffic police may be and are called upon to discharge functions other than regulating traffic; that in any case part of their traffic duties is related to the well-being of the pedestrian and general order; and that in so far as the traffic police become replaced by automatic traffic signals—which are financed as to 60 per cent. of the cost from the Road Fund—the argument about the police will go by the board.

Strong as the case is for the reconsideration of the taxation of heavy commercial goods vehicles from the point of view of whether they are making

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an adequate contribution to the Road Fund in relation to the highway costs their presence on the road involves, the railways have a more clear and definite case for the view that competition between road and rail is very unequal in respect of the public regulation of the two industries and the minimum conditions of labour imposed by public authority or won by Trade Union action. The fact that a railway accident can involve risk of life and limb to a larger number of people than a road accident is probably the primary reason why the State has concerned itself pretty extensively with imposing minimum conditions of safety in railway construction and operation. Moreover, the degree of monopoly in transport enjoyed to some extent by the railways before the development of motor transport and the subsequent reduction of the number of railway companies to four by the Railways Act, 1921, caused Governments to impose upon the railway companies public checks and regulation for the purpose of allaying the fears of railway users.

It is true that under the Road Traffic Act, 1930, the Minister of Transport is exercising greater powers in regard to the construction of motor vehicles and their regulation and use than was the case before, and that so far as road passenger transport is concerned the regulation is now fairly intensive. But the fact that motor vehicles are so independent in their movements as compared with the railways, that their ownership is spread over a vast number of firms, and that

generally the industry is of a somewhat diffused character, has made it not too easy to regulate road goods transport to any material extent, although that is not impossible of achievement. Moreover, Trade Union organisation among goods road transport workers is poor owing to its discouragement by many employers, the dispersed character of the trade, and the indifference of a considerable number of the men concerned. From the men's point of view this is a bad state of affairs; to say the least of it, they are very foolish not to have become a body of good Trade Unionists before now. Their degree of organisation is much below that of the road passenger workers, and quite poor as compared with that of the railwaymen. Despite the provisions of Section 19 of the Road Traffic Act, 1930—which I agreed with the Unions and the employers—which stipulates maximum hours of labour from the point of view of public safety, the hours of labour of goods transport workers leave much to be desired. Both the railway companies and the railwaymen feel strongly about the competition of a form of transport which adds sweated, unregulated labour to its other advantages.

Part of the difficulty in regard to bad labour conditions could be put right by a system of licensing and co-ordination, probably under the Traffic Commissioners now functioning in respect of road passenger transport under the Road Traffic Act, 1930. If the great but not insuperable difficulties were overcome and the task were

well done, it would nevertheless involve much laborious work, a fair amount of cost, and a by no means easy battle with the big and little trade interests involved.

§ *"Co-ordination" Under Many Ownerships*

Faced with the disorganisation of road commercial transport, the anti-Socialist, determined to resist socialisation to the last, will not only concede but will urge that there must be co-ordination and a reasonable degree of public regulation imposed in order to eliminate those factors of competition which are clearly contrary to the public interest. It is at this point that the anti-Socialist as well as the Socialist ought to examine, without bias, the relative merits of the public regulation of a large number of separate owners as against socialisation. Public regulation means that the road commercial transport operator would have to "fill up forms," improve or replace his vehicles where they were considered to be unsafe, and prove the necessity and public usefulness of his business in order to get a license. His business would be subject to a certain amount of regulation and inspection and he would have to make periodical returns. If it were proved to the Traffic Commissioners that a business was badly managed and/or that it was not economically necessary at all, that business might be put out of action altogether. Moreover, if there were to be real co-ordination between

road and rail, and it was established that for given purposes rail transport was superior and should in the national interest be protected, even efficient road transport hauliers might be refused licenses for a whole or part of their fleets of vehicles.

At every step in the process of co-ordination and restriction under private ownership there would be a row: newspaper campaigns, petitions, and protest meetings, pressure on Members of Parliament, questions to the Minister, and all kinds of attempts to squeeze him and the Traffic Commissioners and to warp his or their judgment. A strong Minister in a strong Government would get through, but a weak Minister—as was the case with Mr. Pybus—might be persuaded to circularise the Traffic Commissioners asking them to give special consideration to a particular class or classes of applicants for licenses. Even a strong and public spirited Minister would find it difficult, both on grounds of humanity and expediency, to ignore the cry of the small man. The vested interests might be active against him in his constituency—as some of them were in mine. The fact has to be taken into account that road transport vehicles are owned by a large number of separate owners, and that the regulation of the use of vehicles vested in many separate ownerships imposes severe limitations on the mobility of action and the firmness and clearness of policy pursued by those who are endeavouring to bring order out of chaos.

The alleged evils of bureaucracy, officialism,

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petty interference, and red tape—so strongly condemned by anti-Socialists—are the inevitable result of that anti-Socialist compromise policy which says, "I will not have your socialisation, but I am quite prepared to agree to regulation and co-ordination." I suggest that though the political fight may be heavier, it may be simpler and more direct if—given a determined Government possessing adequate support—we go straight for socialisation over as wide a field as possible instead of mere regulation. If time did not press and if there was real virtue in governing the country on the basis that we must never do the thing we know to be right if we can find some half-way or quarter-way house to call at, a case could be made for regulation first and socialisation afterwards. But that means a wicked delay; moreover it involves two stand-up fights instead of one. So we may as well determine on the second fight first, and thus avoid altogether the half-way house fight—in many ways the more difficult. I do not know what the present Government will do about the Salter Report, but I am inclined to the view that they will find the tangle of interests against effectively implementing the Report so vociferous and troublesome that they will either do one or two things of no great significance, or they will let things drift until, in response to further public anxiety as to competition between road and rail, they will again evade positive action by appointing another committee or conference to look

further into the recommendations of the Salter Report, just as the Salter Conference was in part appointed for the purpose of examining further the Final Report of the Royal Commission on Transport!

§ *Advantages of Socialisation*

For myself, I would prefer that the problem should be faced fundamentally and that root and branch remedies should be applied. I hold that all long distance transport, whether by road or by rail, should be owned and managed by one undertaking. It may be that the purely local transport of urban communities should be municipally owned and managed, provided an adequate degree of efficiency is maintained and that it is co-ordinated with the long distance services; it may be that the smaller local goods carrying concerns may be left to continue subject to licensing and co-ordination. But long distance road and passenger transport should be combined with the railways and the whole placed under one Public Corporation.

The undertaking would be a very large one; some interesting problems of internal organisation and management would arise.

The evolution of the modern world is in the direction of large units of organisation and management with appropriate forms of administrative decentralisation. Both in industry and in national and local government this tendency obtains. There is a point beyond which a given

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unit of administration can be too large and we must watch for this point, recognising, however, that as organising and administrative technique develop and as scientific aids to quick decisions and the rapid issue of directions evolve, the circumstances of to-morrow may be different from the circumstances of to-day. I am clear that the successful handling of the British transport problem is inconsistent with the continuance of a great number of separate and conflicting ownerships and managements; transport must be brought together and its problems dealt with as a whole. That will enable us to destroy the biased railway mind and the biased road mind, and to substitute the big transport mind. Instead of preserving a poorly used, badly managed and dreary branch railway line, we shall be able to scrap it with no loss of dignity and to substitute road transport, not in the midst of competitive rejoicings at a road transport victory, but as an action dictated by good sense.

We shall be able to use, instead of half using, the railway on all those principal routes which will provide the backbone of the transport service. The loads it carries will be adequate: it will be able to look its fixed minimum of capital and maintenance charges in the face. Certainly, within the limitations of a reasonable economy, we must have regard to public tastes, preferences, and even prejudices. The sight-seeing coach tour and the holiday coach will have its field, even in competition with the main line railways.

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It is bad business to get at hopeless loggerheads with the public. But the railways must have an effective economic load. They will then be so secure that they will have funds available with which to brighten themselves up, to electrify, and to convert that large number of dreary, unattractive looking buildings called railway stations into that centre of cheerfulness, brightness and social life—the transport station of the future, meeting the requirements of both road and rail. Railway electrification on a large scale will become practical politics, bringing us cleaner and quicker railways, and considerable economic advantages to the electricity supply industry, and to ordinary electricity consumers as well.

The co-ordinated network of road and rail communication throughout the country will make possible a system of door to door collection and delivery of goods and produce as regular and reliable as is the collection and delivery of letters under the socialised Post Office. When the stage is reached that we can offer such an unrivalled service to the manufacturer and the farmer, we shall be justified in saying to concerns providing their own transport for the carriage of their goods that they are not justified in doing so, and that either they must use instead the transport system of the British Transport Corporation, or that the space available in their half empty vehicles on the outward journey or wholly empty vehicles on the return journey shall be sold to the Public Corporation at a reasonable charge. We may

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achieve not only a vigorous policy in the co-ordination and use of socialised trains and road vehicles, but even in the use of the empty space of those privately owned vehicles which, for the time being, may be allowed to survive. There is an existing precedent for such a policy. Mr. W. Chamberlain (now the Chairman of the North Western Traffic Commissioners), when he was the General Manager of the Belfast municipal transport undertaking, instead of buying vehicles he could only use at the hour of peak traffic, which involved unproductive capital costs and difficulties regarding the organisation of labour, bought empty seats from long distance transport undertakings coming into or going out of Belfast. Perhaps his was the supreme as it was certainly an exceptional case of the triumph of the social economics of an enlightened municipal transport manager over the competitive economics of self-regarding transport undertakings.

Limited though their function be, the canals worth purchasing might well become part of the undertaking of the British Transport Corporation, thus enabling them to be improved where that was justified and in any case used in conscious relationship to the services of road and rail transport. The socialisation of coast-wise shipping may wait or may be included, or may be socialised as a service carrying its own administration related to inland transport. At the moment it does not press, but similar principles should logically be applied to air transport

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which, within limits, is destined to play a growing part in the long-distance transport of passengers and certain classes of commodities.

I shall discuss in some detail the Public Corporation proposed in the London Passenger Transport Bill and the organisation of public corporations generally. It would be wearisome to repeat the details here as applied to the national problem, and perhaps unwise even to appear to become committed to too much detail in advance of the ministerial elaboration of a concrete scheme. But the main principles are clear for, subject to suitable adaptations and modifications, I would propose to apply in principle to the problem of transport nationally the scheme embodied in the London Passenger Transport Bill as it was introduced by the Labour Government.

CHAPTER VII

Preparing the New Policy

HE IS A FORTUNATE MINISTER WHO IS CALLED upon to deal with a big problem to which he has given close attention over a period of years. He is still more fortunate if circumstances enable him to examine the problem, not merely as a matter of politics for the purpose of evolving formulae and slogans, but as a matter of business and organisation, and—so far as is possible for a non-technician—as a matter of technical management. Soon after its establishment in 1914, the London Labour Party, whose Secretary I became in 1915, devoted considerable attention to the London transport problem. It was part of my duty, therefore, to become familiar with the official reports on the subject, and to prepare statements of policy for Party declarations and for Government inquiries. I got to know a number of people in the industry and discussed with them its problems. Finally my membership of the London County Council and, for a period, of its Highways Committee, which manages the tramways, gave me a closer insight into the practical working of a great transport undertaking. The experience I gained as a non-professional advocate before the Railway Rates Tribunal, on behalf

of the Trades Union Congress and the Labour Party on the occasion of the Tribunal's proceedings on the determination of standard rates and charges, where I heard lengthy arguments between the lawyers and the General Managers and technical officers of the railway companies, afforded me additional knowledge as to the finances and operations of the amalgamated railway companies. Despite these advantages, however, I soon learned that there is a great difference between drafting a paragraph on London transport for the London County Council Election Manifesto of the London Labour Party and the preparation of an important Parliamentary Bill incorporating a practical solution of a big and complex problem.

During the few weeks I had been Minister of Transport, and before the Traffic (Co-ordination) Bills were rejected, I had given additional thought to the various practical aspects of policy, and now had available all the information in the possession of the Ministry of Transport. It was an enormous advantage to command the resources of a State department and to be able to give instructions for the preparation of memoranda and reports, whilst retaining policy in my own hands. I was deeply indebted to the able officers of the Ministry of Transport for the loyal assistance and support they gave. The popular fiction that the civil servants are anxious to foist their own policy upon Ministers, is not true in my experience. The civil servants like their Minister to do well;

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they feel personally humiliated if he makes blunders; they take enormous pains to give him all the facts and to warn him against pitfalls. If they think the policy he contemplates is wrong they will tell him why, but always on the basis that it is for him to settle the matter. And if the Minister, as is sometimes the case, has neither the courage nor the brains to evolve a policy of his own, they will do their best to find him one; for, after all, it is better that a department should be run by its civil servants than that it should not be run at all.

It was my task to change the policy which had so far been pursued by the Ministry of Transport. We argued it all out; we examined all the "snags" which the civil servants found for me and which I found for myself in plenty; but at the end of the discussions when I made it clear what the policy was to be, the civil servants not only gave of their best to make my policy a success, but nearly worked themselves to death in labours behind the scenes, in the conduct of various secondary negotiations, and in the handling of the Bill before the Joint Select Committee of Lords and Commons—where there were only three Labour Members out of a total membership of ten.

Responsibility for policy rests upon Ministers whether they are weak or strong, and it is important that the civil servants should be the instruments, and not the masters of policy. They would have been just as loyal to a Conservative Minister; and that is well.

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In the preliminary examination of policy, I received valuable help from the late Mr. William Graham (who was a keen supporter of my Bill), Mr. Pethick Lawrence, and Mr. Ben Smith, who had become personally familiar with London traffic problems, both as a member of the Traffic Advisory Committee and as an officer of the Transport Workers' Union.

§ Government Policy Announced

In the meantime, on December 2nd, 1929, I was authorised to make the following declaration of policy on behalf of the Government in answer to a question by the late Mr. Harry Gosling:

“With the leave of the House, I will make a statement which the Prime Minister has authorised.

“The Government have now examined the London traffic situation. We agree with the opinions expressed by the London and Home Counties Traffic Advisory Committee that no lasting solution of the dual problem of the congestion of the streets and the provision of proper facilities for the travelling public will be found unless further steps are taken towards eliminating uneconomic and unnecessary competition.

“We also agree generally with the Committee that a far-reaching measure of unification under public control is essential to progress and that on the other hand ‘given unified management, and efficient operation of the

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various passenger transport agencies in the London traffic area, there is little doubt that the consequent elimination of the present wasteful competition would result in sufficient revenue being obtained from the operation of the several undertakings at the present level of fares as to leave, after meeting all legitimate claims and obligations, a margin available to attract fresh capital sufficient to provide for a programme of steady and continuous development of the traffic facilities of the area.'

"The object, then, must be to bring about, so far as possible, a co-ordinated system of passenger transport so managed that earnings shall be sufficient to meet all proper charges, including reasonable remuneration of capital.

"We have given the closest attention to the form which the pooling of resources and co-ordination of management thus indicated should take, and we have come to the conclusion that the ends in view can be fully achieved and that the public interest can be fully safeguarded only if existing sectional financial interests are consolidated by the substitution of a single and simple form of public ownership for the complicated network of separate interests, private and municipal, which now add so greatly to the difficulties of the situation.

"We shall, therefore, proceed at once to explore with all the interests concerned, and with the assistance of an eminent chartered

accountant, a plan for the complete consolidation upon fair and equitable terms of the passenger transport agencies now providing services by omnibus, by tramway or by local railways in the London traffic area. We hold that in any such scheme all the existing municipal interests should be included from the start. The relations to be established between the consolidated enterprise and the amalgamated railways is an important point which merits and will receive careful consideration.

"While the Government have decided that the principle of public ownership should be applied, they desire to make it clear that their intention and aim will be to assert and effectively to provide for the principle of commercial management of a self-supporting, consolidated transport system, thus ensuring the advantages of vigorous business enterprise. We take the view that with efficient management the potential earnings of London passenger traffic, fully co-ordinated as we propose, are such that no form of liability need be entailed upon public funds or public credit, and upon that assumption we shall proceed.

"In conclusion I would add that, in view of the intricacy of the matters to be pursued, no further statement is to be expected for some time."

As an indication of the way these things sometimes happen, the reason for making this state-

ment of policy is perhaps of interest. We were a minority Government, but even if we had had a majority, negotiations with the interests concerned would have been desirable. Negotiations involving many millions of capital have to be carefully conducted and, in the circumstances with which we were faced, it was undesirable for a premature announcement of Government policy to be made in case it blew the negotiations up in the air. The Editor of the *Daily Herald* telephoned me at home on Sunday night, December 1st, 1929, and outlined to me a story he had got and which he proposed to publish in the next day's paper outlining the Government's London transport policy. It would have made our task infinitely more difficult if the unauthorised story had been published. I therefore informed the Editor of the *Daily Herald* that I could not accept the accuracy of the story, that it would greatly embarrass us if it were published, and that, in any case, I should be glad if he would hold it over for twenty-four hours until I had consulted the Prime Minister. It was a dilemma for both of us. The Editor had got hold of what the journalists call a good news story which he believed to be substantially accurate. If he had not consulted me and had published it, I should have been cross, but I could not have blamed him; but as the Editor of a Labour newspaper he naturally paid heed to my wishes. So the story was killed for twenty-four hours.

The next morning (Monday, December 2nd,

1929), I consulted with the Prime Minister and the Chancellor of the Exchequer. In the end we all thought it best that a public statement of Government policy should be made at once, rather than that there should be a necessarily incomplete story of Government policy published in a Labour newspaper which would have been regarded as inspired by the Government itself. I am bound to say, as something of a journalist myself, that I felt rather ashamed for out-scooping the *Daily Herald*. But as journalists do not take too much account of the convenience of Ministers, perhaps they have not a great right to grumble if Ministers do not always take too much account of the convenience of journalists. Anyway, I must plead the supreme interest of the State, and if an apology is due to Mr. W. H. Stevenson, who is still the able Editor of the *Daily Herald*, here it is!

The Government was thus committed to announce earlier than was anticipated the broad principles upon which its handling of the problem would proceed.

The preparation of the Bill and negotiations with the interests could not proceed as rapidly and intensely as I desired, for during the first half of 1930, all of us at the Ministry of Transport were heavily occupied with the Road Traffic Bill, which became the Road Traffic Act, 1930. This was a big Bill containing much detail and involving a great deal of negotiation with a large number of transport interests, including the

Trades Unions. The Parliamentary handling of the Bill was a heavy job, the Committee Stage lasting about four months, some obstruction taking place over a fair part of the period. What work on the London Bill could take place, however, was pushed forward.

§ *Difficulties Ahead*

One of the difficulties—a not unusual one in any Government—was that I had no guarantee that a definite place for the Bill would be found in the Parliamentary session of 1930-31. Moreover, the policy to which the Government had become committed was somewhat audacious for the Parliamentary circumstances in which we were working. Whilst the big issues raised were an attraction rather than otherwise to me, I could not expect everybody else to feel the same attraction. There is a great deal of competition among Ministers to get places for their Bills in the King's Speech, and none of the other legislation raised the issue of public ownership.

And certainly there were plenty of big difficulties to contemplate. My own Party had never worked out its socialisation proposals in Government Bills. The Party has now got to the stage of working out socialisation schemes in some detail—in the view of some critics, too much detail—such as those presented to its Annual Conference at Leicester in October, 1932; but in the days of the second Labour Government its

ideas were by no means clear. There was the view represented by the earlier assumptions of ordinary State Department nationalisation; there was that of orthodox municipalisation, or management by municipal joint committee; there were the vague ideas about workers' control, Guild Socialism, and some even bordering on Syndicalism. We had to fit platform speeches, vague Party declarations, and the actual facts, into a detailed Parliamentary Bill to be promoted on the responsibility of the Government.

It was inevitable that the Government's Bill would not completely accord with any of the pre-conceived "principles" of the Party, excepting the really vital principles of public ownership and management for public ends. Yet it was essential that we should carry the Party substantially with us. So a good deal of quiet educational work had to be done in the ranks of Labour itself. I was very anxious that the management of the undertaking should be efficient, and that the scheme should be a public business success; I was confident that the Labour Party would take the same view.

Generally speaking, the Labour Party accepted with keenness the policy upon which we went forward; most of the theoretical apprehensions which were raised in Socialist circles were cleared away as the policy became better understood. Indeed, the policy behind the London Passenger Transport Bill has now been officially submitted to the Trades Union Congress by its General

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Council and to the Labour Party Conference by its National Executive; it is fair to add, however, that difficulties on certain aspects of the policy arose for the General Council and the Executive at the Congress and the Conference.

We had to assume the possibility of strong and bitter opposition from the Conservative Party. However much the Bill provided for efficient management, the Conservatives were bound to boggle at the principle of public ownership. In any case they were the official Opposition and much preferred to oppose Government legislation. Nevertheless, despite their official attitude of opposition, we were in fact successful in taking the conviction out of a great deal of it. I made a good many speeches in non-Labour quarters urging the policy of the Bill as sound public business, and asking that it should be judged on that basis and not on that of political dogma. The Conservatives were reminded, moreover, that they themselves were responsible for such socialistic legislation as the nationalisation of the telephones, the socialisation of London water supply, the socialisation of broadcasting, and gross interference with the management of the electricity undertakings under the Electricity Supply Act, 1926, which established the Central Electricity Board—a public corporation. The Conservative party had often been denounced as the party of monopoly, and we could not concede its right to monopolise Socialist legislation! It was reasonable not to anticipate difficulties with

the Liberals, for their own Yellow Book, *Britain's Industrial Future*, was not out of sympathy with our plan; but one never knew what the Liberals would do, and it was very doubtful how far the Liberal M.P.'s took the Yellow Book seriously. In the event, however, the Liberals strongly voted for the Second Reading of the Bill, and Mr. E. D. Simon, their Commons' representative on the Joint Select Committee, voted for the preamble of the Bill.

Apart from difficulties with Parliamentary parties, we were faced with the terrible problem of Parliamentary time and procedure. Under existing conditions of Parliamentary business, few first-class Bills could get through and this Bill had to be a hybrid Bill, that is to say, something between a Public Bill and a Private Bill; the main Committee Stage had to be taken before a Select Committee, the Government and the interests being represented by a great array of Counsel and witnesses. We succeeded in making the Committee a Joint Select Committee of Lords and Commons, thus amalgamating what would have been two Select Committee stages into one, but even so the proceedings lasted thirty-five days and with other preliminaries cost the Government over £40,000, which is to be recovered from the Board when established. On the Committee itself Government supporters were bound to be in a minority: it was a committee of ten, five from the Lords and five from the Commons, and it was constituted roughly according to the balance of

the parties in the two Houses—five Conservatives (three of them Peers); two Liberals (one a Peer who was unable to attend), and three Labour men (one of whom was a Peer). Select Committees are constitutionally assumed to be quasi-judicial. The two Conservatives from the House of Commons were Sir Henry Cautley, who, I suspect, rather likes killing Bills, and Sir Basil Peto who had a reputation as an obstructionist in the House, but who was more human than Sir Henry Cautley. The Chairman of the Committee was Lord Lytton (a Conservative); he had much more regard for the rights of property than I had but he had a great sense of fair play and at no time exploited his position as Chairman for the purpose of playing the party game against a Labour Government.

So much for the Parliamentary problem that lay ahead. Let us take a glance at the troubles that awaited us outside St. Stephen's. There were the local authorities whose tramways I was proposing to transfer to another public authority, on the basis of no profit and no loss. There was just a possibility of getting the Conservative London County Council to take a big public view, but the chances were that it would play the party game against a Labour Government and do its best to be revenged on a Labour Minister who had killed its scheme of transferring the municipal tramways to the management of a private company. In the event, it was just about as troublesome as it could be, although we finally agreed

as to financial terms. The City Corporation was a pleasant contrast. It would be a big task to remove opposition by the London Traffic Combine, but Lord Ashfield was a big man who had consistently favoured consolidation in London passenger transport; nevertheless, the final negotiations with him would be heavy and complex, and his fellow directors and shareholders might not be as ready as he to take big views. The Metropolitan Railway was likely to—and did—prove difficult, and the independent omnibus proprietors were bound to fight, since, protected by the London Traffic Act, 1924, they were enjoying a regular Tom Tiddler's Ground of high profits and quick returns. Trouble was also anticipated with the proprietors of the latest form of London transport, namely, the motor coach—and trouble came. Finally, the main line railways could make themselves a big source of Parliamentary difficulty, for whatever the Conservatives might say about the inefficiency of public ownership, the main line companies would certainly fear the efficiency and powerful competition of the new public board which I proposed to establish.

§ Meetings with Existing Undertakings

However—with a large number of people regarding me as a mad young optimist who was riding for a fall—I went forward. On the Labour party platform and on appropriate occa-

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sions at non-Labour functions, I endeavoured to prepare the public mind and to convince it of the necessity of making a clean job of this baffling problem of London transport. By October, 1930, the Government was ready to inform the local authorities and the company interests of its proposals in greater detail, immediately afterwards issuing the following statement to the Press:

“ The Minister of Transport (Mr. Herbert Morrison) announces that during the last two days he has met in successive conferences representatives of the various bodies concerned with the provision of passenger transport in and around London. He was accompanied by the Parliamentary Secretary to the Ministry (Lord Ponsonby) and the bodies represented were the following:—the local authorities owning tramways in the London Traffic Area, namely the London County Council, Middlesex and Hertfordshire County Councils, the County Boroughs of Croydon, East Ham and West Ham and the Barking, Bexley, Dartford, Erith, Ilford, Leyton and Walthamstow Councils, the Underground Group of Railway, Tramway and Omnibus Companies, the Metropolitan Railway, The Association of London Omnibus Proprietors, Messrs. Thomas Tilling, Messrs. Tillings and British Automobile Traction Company and the four Amalgamated Railway Companies.

“ Mr. Morrison thanked the authorities and the companies for the assistance which in general they had given to Sir William McLintock in the inquiries which he had been conducting on behalf of the Government, and explained that while these inquiries were not yet in all respects complete, the Government proposed to proceed at once with the object of introducing legislation, and to open discussions at a very early date. In view of the admitted urgency of the matter, it was desirable that there should be no avoidable delay.

“ Mr. Morrison said that he had always felt that there was an urgent need for a wide measure of co-ordination of the undertakings engaged in passenger transport in the London area. Recognition of this need had not been confined to any one political party or to any one group of interests concerned in London Transport. It had been recommended in varying forms by successive Commissions and Committees who have considered the question of Transport in London, culminating in the report of the London and Home Counties Traffic Committee issued in 1927 and widely known as the Blue Report.

“ Where there had been some differences of opinion was as to the measures to be adopted to bring about the desired end. In other words, there had been a general unity of opinion as to the end to be achieved, but considerable diversity as to the means.

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"When he came into Office this subject formed one of his first preoccupations. Mr. Morrison recalled the announcement which he made in Parliament on the 2nd December, 1929. In that statement the Government had outlined its policy as follows:

- (i) That uneconomic and unnecessary competition must be eliminated.
- (ii) That the objects in view could best be achieved by securing unification under public control of passenger transport by omnibus, tramway or local railway in the London Traffic Area. A single and simple form of public ownership should, therefore, be substituted for the complicated network of separate private and municipal interests now existing.
- (iii) The principle of public ownership should be combined with the principle of commercial management, thus ensuring the advantages of vigorous business enterprise.

"The Government believed that by this means London Passenger Transport as a whole could be made a sound business proposition ensuring a safe and reasonable return to the capital invested in it, by the elimination of waste and a steady and progressive development of the facilities required in the public interest.

"The Government accordingly proposed to

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create a new statutory public body, which would embrace:

The railway, omnibus and tramway undertakings controlled by the Underground Electric Railway Company of London Limited;

The Metropolitan Railway;

The Tramway undertakings owned by Local Authorities within the London area; and

Other omnibus undertakings operating within the London area.

“ This new body would be charged with the future management, operation and maintenance of one consolidated undertaking, and with the duty of making provision for further facilities as and when required.

“ It was not to be assumed that the above list of undertakings was necessarily exhaustive. There might be other undertakings allied to those mentioned which for various reasons it might be deemed necessary or expedient to acquire.

“ Dealing with the position of the suburban lines of the amalgamated railway companies, the Minister said that in view of the fact that they are inextricably bound up with the main lines there would be great difficulties in bringing these lines into any scheme of unified ownership, and that the Government did not contemplate that the existing ownerships should in this case be disturbed.

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"Arrangements should, however, be made which while having proper regard to the public interest, would be fair to the amalgamated companies and would enable the suburban lines, which play an important part in carrying London's passengers, to discharge their proper function in a fully correlated scheme of transport.

"In proposing the transfer of these public transport services to public ownership under a body of the nature mentioned the Government was not taking a leap in the dark. Already Parliament had recognised the necessity in many cases of entrusting essential national or local services to public bodies of this nature, such as the Port of London Authority, Metropolitan Water Board and the Central Electricity Board.

"The Minister proceeded to deal with certain leading aspects of his proposals.

"He said that he had given very careful consideration to the nature of the traffic authority. He started with a bias in favour of a joint municipal body representative of the local authorities in the area, but in the end he came to the conclusion that for this particular task it would not be the appropriate type of Authority. He had himself served on a number of indirectly elected *ad hoc* bodies functioning in Greater London. They had done very good work, but he did not regard them as a fully satisfactory instrument of local adminis-

tration, and much less could he regard such a body as being suitable for conducting a huge business enterprise requiring day-to-day decisions on matters such as would confront the proposed combination of transport undertakings. It would be difficult for leading members of the Local Authorities to find time to serve on a new joint municipal body if it were established, and its numbers would inevitably make it unwieldy. Further, his own experience of joint authorities was that there was too much 'joint' and not enough 'authority' about them. If there had been a directly elected municipal body covering a wide area already in existence, the situation might have been different.

"The Government, of course, recognised that the constitution of the Board was a matter of the greatest importance. While they had not come to final conclusions as to its precise composition, they aimed at combining business-like management with public ownership by the creation of a small Board consisting of persons of proved business capacity. Every effort would be made to secure the services of a Chairman who would combine business acumen and vigour with wide knowledge and experience, and who could be trusted to ensure that the appointment of officers of the Board would be governed by considerations of efficiency.

"The Government intended that the Board

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would be such as would command the confidence both of the investing public and of the users of transport in London, and that proper contact should be maintained between the Board and public opinion. Such a Board should function as freely as possible from political interference so far as questions of management were concerned.

"Provision would be made in the Bill for securing fair and proper treatment for officers and employees of the undertakings to be taken over. He was anxious to utilise the experience and abilities which existed in the present undertakings.

"Mr. Morrison said that it would be undesirable in advance of the discussions to lay down definitely the sphere of operation of the Traffic Board. It was, however, fairly obvious that all passenger services by road which served London and its immediate surroundings must be concentrated in the hands of the Board. At the same time regard should be had to the provision of through facilities where public convenience so demanded, and it might, therefore, be undesirable to define too rigidly the area over which the Board might operate, or to limit their activities entirely to the area, whatever it might be, for which they would be responsible. Long distance road services between London and provincial centres would require to be considered in relation to the functions and powers of the new Board,

only in so far as they might compete with the services to be provided by the Board by picking up and setting down passengers within a prescribed distance of London.

"The new Authority would have no interest in extending particular forms of transport. It would have no tramway, tube or omnibus bias. Its transport policy would be determined by technical fact and the public interest. It would be able, as no present undertaking could, to look at London passenger transport as a whole. Any attempt to solve the problem on the basis of a private monopoly would involve setting up an elaborate superstructure of official regulation, check and control.

"The Minister invited the various parties to appoint representatives to continue discussions in detail."

§ *The Bill Proceeds*

From this stage, the heavy work of negotiation with the owners of the various undertakings proceeded with all possible intensity. On March 23rd, 1931, the Commons gave the Bill a Second Reading by 271 votes to 224; at that time no agreements had been made with the existing undertakings. Soon after the commencement of the Joint Select Committee Stage, however, we had settled with the London Traffic Combine, the main line railways, all the Municipal Undertakings except Ilford and Bexley (which wanted more compensation but otherwise supported the Bill), the London County

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Council (with whom I settled on compensation, but who opposed the Bill in certain other respects), and most of the motor coach proprietors. I was unable to settle with the Metropolitan Railway, whose opposition I suspected to be partly political, the independent omnibus proprietors, the motor and tramcar manufacturers, and certain others. But the settlements embraced undertakings carrying the vast bulk of the passenger traffic in the London traffic area, an infinitely greater degree of success than was anticipated. They knew all the difficulties facing a minority Government; they knew that if they could keep the Select Committee stage going long enough they could put the Bill in great danger—and they knew that I knew. On the other hand they knew that I was determined, and some of them began to see that the Bill was on sound business lines; so there was some incentive to come to terms.

Despite the large measure of agreement achieved, however, the time-wasting possibilities of Private Bill procedure—shown by the fact that the Bill was before the Select Committee for thirty-five days—were aggravatingly large. This procedure, nevertheless, has its value. The examination and cross-examination of witnesses (including the Minister) and the arguments of Counsel, put a Bill on its mettle; it must be a good Bill to withstand it. But even a Government with a majority on such a Committee is in a much weaker position than it ought to be in

negotiating with interests who can waste an enormous amount of time. If socialisation is to proceed with the rapidity which I conceive to be necessary, the procedure my Bill went through will have to be altered. In particular, the Government should have effective control of the timetable. The Minister in charge of a Government hybrid Bill is liable to be exasperated when he can only attend the Select Committee handling the Bill as a visitor in the same way as any other Member of Parliament who is not on the Committee, and when all the arguments must be conducted through Counsel and witnesses. True I was heard for two days, because the Opposition wanted me to be called as a witness on policy. I was called away from a Cabinet meeting for the purpose and spent a thoroughly enjoyable two days being cross-examined. But apart from this I could take no part except by way of giving instructions to Counsel and so on. Thanks to the irresistible soundness of the Bill itself, to the brilliant advocacy of Mr. Wilfrid Greene, K.C., and other Counsel for the promoters, and to the fair-mindedness of Lord Lytton as Chairman, the Bill emerged from the Joint Select Committee with some alterations which I regretted, but nevertheless still intact so far as its basic principles were concerned.

The Bill still had to go to the House of Commons for Committee and Report Stages and Third Reading, and for all its stages in the House of Lords. There were some difficulties ahead,

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particularly in the House of Lords, but I believe that the Bill was so sound and had earned so much support that we should have got it through. But just as the Traffic Co-ordination Bills of the London County Council and the Combine had not reached the Statute Book before a General Election came, so a General Election occurred before the Labour Government's Bill had passed into law. Within a few weeks of the Select Committee Stage being completed, the Labour Government was out of office and our Bill was at the mercy of the new Coalition Government. Within a few further weeks the General Election had taken place, and an overwhelming Conservative majority had been returned as part of the Coalition, the Minister of Transport in the Labour Government losing his seat. Confident declarations were made in interested quarters and in the Conservative Press that the London Passenger Transport Bill would be dropped. The Government itself would make no clear declaration of policy. But the Bill was a good Bill; over £40,000 of public money had been spent upon it; the greater part of the difficult work had been done by the Labour Government; if the Bill were dropped the problem would remain and the new Government or some other Government would be embarrassed by it sooner or later. These considerations were evidently present in the minds of both "National" Coalition Governments. Resolutions were brought forward carrying the Bill over into the new Parliament, and

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again into the Session of 1932-33; the Bill was proceeded with, having now¹ passed Third Reading in the House of Commons by 232 votes to 46. The Minister of Transport (Mr. Pybus) brought up Government amendments—which I regard as thoroughly bad and foolish—but the measure has gone forward.

¹ February, 1933.

CHAPTER VIII

The Management of Socialised Industries

IN EARLIER DAYS IT WAS ASSUMED—PERHAPS with more emphasis by anti-Socialists than by Socialists—that socialisation could only take two forms: State department nationalisation with the Minister responsible for management; and municipalisation under the Council and its appropriate committee. I should not hesitate to defend these forms of socialisation as against ordinary capitalist commercialism, but this must not prevent our considering whether in appropriate cases more suitable forms of management and direction of publicly owned industries is not possible. Indeed we shall be wise not to reach finality in our conclusions respecting any system. For, just as we have learned from experience in the past, we may be sure that practical experience and theoretical discussion may teach us much in the future. A study of the economic history of Russia since the Bolshevik revolution of 1917 should make all of us cautious in regarding any managerial technique as the last word.

In his criticism of State and municipal enterprise, the anti-Socialist has drifted far from truth, and has been unjust to the general body of civil servants and municipal officers. He has spread

the idea that the Civil Service is a mass of heartless bureaucracy. Yet my experience of civil servants was that they were cautious to the point of nervousness in the use of Ministerial powers; that they were always anxious to consult with and propitiate, where possible and proper, bodies affected by a proposed Ministerial Order; that they were anxious not to outrage public opinion; and that they were greatly concerned to preserve the legitimate liberty of the subject. Although it was my business as a politician to be sensitive to public opinion, I often thought that the civil servants were excessively cautious in these matters; more than once I felt it my duty to set their fears aside.

The belief of the anti-Socialist that the State departments are the home of commercial incapacity is also unsound. A high degree of administrative skill, organising ability, financial and economic astuteness, and even commercial prowess, is to be found in the ranks of the Civil Service. The organisation of a great State department is no light task. Although, like any other big organisation, it may be open to criticism in particular respects, as a whole its work is very well done. The complaint of the anti-Socialist payer of income tax is not that the civil servants who organise its collection are inefficient, but rather that they are "too damned smart." The organisation and business ability of the Post Office compares, I suggest, not unfavourably with that of the four amalgamated railway companies.

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The speed and regularity with which letters and parcels are distributed and telegrams delivered are anything but discreditable; and even the telephone service—which I hesitate to mention because of the prejudice which has been inspired against it!—is, surely, definitely superior to that of the old National Telephone Company, even though we have reason to curse wrong numbers from time to time. A study of the preface to the telephone directory reveals the wide and expanding variety of facilities available. In dealing with the great business matters with which it was concerned in the war the British Civil Service rose to great heights, even if we make every allowance—and perhaps some people make too much allowance—for the help which was called in from the business men. Even an anti-Socialist Government could not permit capitalist enterprise to run without control the industrial side of the war: it would have over-lapped, made blunders, and robbed public funds even more than it did, had it not been supervised and mobilised for the public service by the State departments. Moreover, there is a splendid tradition of public service, loyalty, and incorruptibility in the British Civil Service. It is an institution of which we have reason to be proud. Those who roundly abuse it are either ignorant or unjust, or both.

Having regard to the fact that they are recruited by a large number of separate local authorities without any proper national standard of competence, one cannot generalise as much in

forming an estimate of the ability of local government officers. Their field of operations is more restricted than that of the State departments. It would be wrong to make an analogy between local municipal officers and the leading men in the great national industries. But the standard of our municipal officers, certainly those employed by the larger and more responsible local authorities, is on the average high. They have a strong sense of public duty and they have manifested great skill in the organisation and administration of the local government services. If one compares the municipal electricity undertakings fairly with those of the companies as a whole, I think one must conclude that the municipal undertakings are superior, and whilst, owing to limitations of area and statutory powers, municipal transport has been hampered as compared with company passenger transport, municipal enterprise in transport has done great things.

We must, therefore, take the anti-Socialist criticisms of the staffs of our State and municipal departments with a grain of salt. We must allow for the fact that, just as members of Labour organisations exercise to the full the right of going for their own leaders and officials whilst defending them from outside attack, so the British public has a great liking for criticising undertakings which belong to it, whilst humbly refraining from anything like the same degree of criticism against private enterprise business. The curious thing is that when they are off the political

platform or otherwise removed from the atmosphere of party controversy, good Conservative anti-Socialist statesmen and municipal leaders will pay the highest tribute to the competence, enterprise, and honesty of the Civil Service and the municipal staffs. Moreover, one knows that many Conservative politicians and local Councillors have not so much competence themselves that they can do without the support and the guidance of their officers. It is usually the case that the man who goes to a local authority publicly assuring the electors that he will keep the officers in their place is the first to become far too much a slave of the officers! When, therefore, some of the local and national politicians denounce State and municipal enterprise because of the incompetence, or worse, of public officers, I feel a little disgusted, for I know that in most cases these critics will say the opposite in private, and are, in fact, dependent for much of what success attends their public work upon the services rendered to them in the public interest by this alleged inefficient bureaucracy.

If I have taken space to pay what is a very sincere tribute to our public servants and to the organisation of our public administration, it must not be thought that I am satisfied with State department and municipal organisation as the basis for the management of all national and local industrial undertakings.

I would not die in the last ditch to preserve the present organisation of the Post Office as a State

department; but in the case of the postal services which—although they certainly cannot be regarded as merely routine—are of a fairly regularised and systematic character, there is not a strong case for disturbing their present status. The proposal of the Bridgeman Committee to vest the management of the Post Office in the Postmaster-General aided, but not supplanted, by a Board of certain of his departmental officers meeting under his presidency, seems to me to be irrelevant. Most Ministers have conferences with their officers from time to time; there never has been anything to prevent the Postmaster-General having such conferences every hour of the day if he wanted them. He could even call such conferences a Board if he thought it sounded nicer. So the Bridgeman Committee proposals seem to me to be neither here nor there, but merely to tend to obscure the responsibility of the Postmaster-General.

Again, if we were setting up a body not to manage but to supervise industries or services in private ownership, we might want a very different kind of body from that proposed for London passenger transport, and which the Labour Party's National Executive has urged for transport nationally.¹ Yet a still further variety of authority might be needed in the case of an undertaking whose functions were partly commercial, but were very directly and intimately related to

¹ The National Planning of Transport, 2d.; Labour Party, Transport House, S.W.1.

important considerations of State policy. I make these prefatory observations because I wish it to be perfectly clear that the organisation I propose for transport, and which I might urge in principle for other undertakings of a predominantly business or commercial character, must not be regarded as a pattern to be applied uniformly to all industries and services.

Transport is or ought to be a very live and adaptable industry. It has intimate contact with the public. It is important that it should be quick to respond wherever possible to public wishes and desires; nay more, that it should anticipate them before they become vocal. Transport is a vital instrument of trade and commerce. It is desirable that it should be able with speed and decision to adapt itself to the changing needs of the modern world. It must be free, where expedient, to pay the salaries and wages necessary to command the type of ability needed for its efficient conduct, without being held up because it would be embarrassing for the Treasury to pay out of relation to the wages paid by the Office of Works to a park-keeper in Hyde Park, or to the salary paid to the Secretary of the Ministry of Health. On the other hand, it is necessary that the management should be sufficiently free from those undesirable pressures associated with both public and private Parliamentary strategy, political lobbying, and electoral "blackmail." Subject to whatever Ministerial or other checks or appeals may be provided in the

public interest, the management must be a responsible management and must be able to stand its ground in the interests of the undertaking which is committed to its charge. If the iron and steel manufacturers want an uneconomic freight for the transport of iron and steel, it would be disastrous for them to be able to frighten the management with the prospect of Parliamentary pressure promoted by the M.P.'s representing the iron and steel constituencies. Similar considerations arise as regards political or electoral pressure from other powerful industries, sections of the travelling public, or from the large body of people employed by the transport undertaking. It is better that avenues should be provided for the settlement of these conflicts outside politics, including proper provision for the negotiation of labour conditions between the Trades Unions and the management, without the Treasury on the one hand forcing the management to be unduly tight because of its fear of the effect of concessions on other departments, and the management on the other hand being afraid of the users and industrial labour because of their power at the polls. Justice must be done, the public must be protected, transport users, or transport workers must be provided with their appropriate and effective channel of complaint and settlement, but in the end these disputes must be determined by what Mr. and Mrs. Sidney Webb have called measurement and publicity, coupled with reasonable human considerations, rather than by political manoeuvre-

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ings, tactics, and pressures of an undesirable character.

These considerations must lead the Socialist, no less than the anti-Socialist, to ask himself whether State departmental management, with direct Ministerial responsibility, is the appropriate form of management for such business or commercial undertakings as transport, iron and steel, electricity, etc. And the Socialist must remember that he contemplates the socialisation of all the great industries and services, and that his policy of to-day must take account of the vast implications of the wide extension of that policy to-morrow.

Socialism pre-supposes the public ownership of a large number and a wide variety of industries. If Ministers and Parliament were to be responsible for the management of all these industries we should have to contemplate a few consequential problems. If a Minister were to be at the head of each socialised industry, fully accountable for its affairs, we should require a greater number of Ministers than is healthy for the proper functioning of Parliament, where the large bulk of the members should not have too direct a personal or material interest in the Government itself. Even so, although the Minister would, in a constitutional sense, be responsible for everything that happened in the industry, he could not in fact really manage the industry, even if he were personally qualified to do so. In most cases he would not be so qualified, any more than the

predominantly commercial man is often a success in politics. This would be still more the case if a series of industries were grouped under one Minister in order to reduce the number of Ministers required. In that case Ministerial control and Parliamentary supervision would become more unreal.

In either case there is this special objection from the Socialist point of view. If the Ministers of a Socialist Government are to be immersed in a large amount of detail connected with the management of industries which have been socialised, it will be physically impossible for them to give adequate time to the socialisation of other industries still in private ownership. I have never swallowed the "Socialism in Our Time" slogan, because I have an instinctive dislike of that kind of slogan, and partly because "Our Time" is ridiculous as a measure of years as between a veteran of eighty and an eighteen-year-old member of the Labour Party's League of Youth. But I am all for speed. The vision of one Minister alone socialising two big industries in one year pleases me enormously; and it is a possibility. The pre-war ideal of Socialism in the dim and distant future pleases me less and less. Socialism for me is a policy for to-day and not for some indefinite day after to-morrow. But if Labour Ministers are to be choked up with the management of industries which have been socialised, the revolution of our "Socialism in Our Time" friends will be a slow

process, for Ministers will be fully occupied with current administration. The function of Labour Governments in the future will rather be to secure the socialisation of industry after industry under a management which can, broadly, be relied upon to go on with its work. And having done one good deed the Minister can let the people put in charge carry on with the work thus done, whilst he immediately sets about the other good deeds of socialisation which await his attention. It has always intrigued me, as the journalists say, that my "Socialism in Our Time" friends take another view, which confirms me in the belief that the reputed left wing Socialists are really right wingers, or are among that class of persons which does not know left from right. If the petty *bourgeoisie* who tremble at the name of the man who never loses the chance to declare himself a R-r-r-evolutionary Socialist knew him well enough, they would be tempted to regard him as a public benefactor from their point of view.

Direct Ministerial and Parliamentary responsibility would open the possibility of Parliamentary candidates at a General Election and—perhaps even more dangerously—at by-elections, being pressed energetically by various interests for concessions. Large elements of the electorate would have a personal interest in prices and charges; they would be tempted to squeeze and the competing candidates tempted to promise. The bulk of the electorate would be drawn from families directly concerned with

conditions of employment in the publicly owned undertakings. In a number of constituencies—for example, mining, cotton, iron and steel, and ship-building—the workers of particular industries would dominate the electoral situation. There would be a great temptation on the part of competing candidates to make irresponsible promises of support for better and better labour conditions. In framing their programmes the political parties would have to take these considerations into account in wording the electoral appeal aiming at the securing of votes. The election over, Members of Parliament would be the subject of steady pressure from this or that interest and they in turn would pass the pressure on to the Minister or Ministers concerned. Members of Parliament would receive large numbers of letters from persons seeking employment or promotion in the publicly owned industries and complaining about wrongful disciplinary action or dismissal. Members of Parliament ought to refuse to act on such applications for employment, but I know from experience that a number do so act. The effect of this would be to weaken the self-reliance and the general public responsibility of the managerial staffs and, moreover, to weaken the authority and status of the Trades Unions and conciliation bodies properly recognised in matters affecting conditions of labour. In a quiet way, Trades Unions have already had some reasonable apprehension as to the usurpation of their industrial functions by

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necessary to provide for intermediate joint municipal bodies.

Having regard to the various considerations I have advanced in this chapter, we have, I suggest, to find an organ of economic management and administration, not for all services, but for those of the more commercial—a word which I am not now using in the capitalist sense—and less routine character. It must be a public body; there must be public accountability of an appropriate form or forms; it must be efficient and speedy in action; it must have a social conscience, a corporate spirit and a public purpose; the legitimate rights of the consumer must be safeguarded; so also must those of labour in the industry. The new order of things will fail if the administrative and operative workers in the industry, however humble their grade may be, do not have thrown open to them wide avenues of higher industrial education and of industrial self-government, wherever practicable and sound in the public interest; one of our purposes must be to end the twin doctrines of so much of capitalist industry, namely, that of “once a workman always a workman,” and the assumption that the less the worker at the bottom knows of what is going on at the top, the better.

This brings us to the Public Corporation.

CHAPTER IX

The Public Corporation

WE ARE SEEKING A COMBINATION OF PUBLIC ownership, public accountability, and business management for public ends. It will perhaps be useful if, before examining the general idea of the Public Corporation, I first indicate the evolution of my proposals to deal with the special case of London passenger transport.

When drafting the London Passenger Transport Bill, I found myself moving towards the following assumptions: that, as a general rule, it was somewhat inappropriate and undesirable that a State department should conduct a local service, even though it be a big local service such as London passenger transport; that municipalisation was impracticable as there was no one local authority covering the London traffic area—there were 168; and that management by a joint authority of the local bodies had nothing to commend it from the point of view of democracy and could not be relied upon for efficiency.

From a fair degree of familiarity with the problem, I knew that the organisation and management of passenger transport in the London traffic area was already a subtle and complex business, requiring on the part of those respon-

sible for its direction an intuitive and almost uncanny sense of public feeling, public tastes, prejudices and habits, together with a sympathetic understanding of the operative grades in the industry. If these things were true under existing conditions, how much more important would they be when we had established a monopoly of London passenger transport legally guaranteed against competition?

The Socialist is not entitled to socialise merely because it is correct Socialist doctrine to do so. It is no good for him to assert before the House of Commons that Socialism will automatically make things better: it is his duty to be satisfied in his own mind that the nature of his scheme and its application to the industry or service with which he is dealing are sound, and that they provide everything humanly possible to promote betterment and to secure efficiency in the public interest.

The London Traffic Combine had already attained a considerable degree of efficiency in relation to the conditions under which it was working. Moreover, in the direction of its undertakings, Lord Ashfield had incorporated a considerable degree of public spirit for a capitalist concern. From the narrow point of view of Labour politics I could almost have wished it were otherwise, for in all the disputations about London passenger transport policy, this fact had made it harder to fight the Combine. Though their profits were excessive, many of the non-

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Combine bus proprietors were running comfortable and attractive vehicles, materially assisted, so far as regularity and reliability of service was concerned, by the regulations of the Minister of Transport under the London Traffic Act, 1924. In a sense, the London traffic branch of the Ministry of Transport and the Traffic Advisory Committee were discharging, at the cost of the Road Fund, part of the duties of omnibus operating manager. The comfort, speed, and management of the municipal tramways had steadily improved, largely as a result of Labour Party pressure and inspiration. The Metropolitan Railway, some of the smaller bus undertakings, and some of the suburban services of the main line railways, were open to a fair amount of legitimate criticism. But within the limitations of a system based on a considerable number of separate ownerships and competition, a substantial measure of efficiency had already been secured.

Unaided, the competitive system had for some years found itself drifting into a blind alley in respect of development and modernisation on a large scale. It had not been able to build the new tubes so clamorously demanded by the public without State aid. Its omnibuses could not run ordered public services without public regulation. The electrification of the suburban lines of the London and North Eastern Railway was almost hopeless under competitive conditions. But having said that, one is bound to concede that London passenger transport

might have been managed very much worse than it was, and honesty compelled me to pay guarded compliments to the real ability of the management of the London Traffic Combine. The socialisation of an industry which is in a mess and is publicly discredited—but which need not be a failure—is almost bound to bring about improvement. But the Socialist Minister about to socialise an industry which has, to a considerable degree, been competently managed by able and—within the rules of their game—public spirited men, had better take great pains to see that the new order of things is likely to be better and not worse than the old. This is particularly the case when he is establishing a statutory monopoly in daily personal contact with millions of the travelling public. The travelling public knows how to grumble; and the newspapers and the politicians know how to ventilate its complaints, and even to encourage them.

If ten years after socialisation the public could legitimately claim that things were worse than they were before, not only should I personally be discredited, but—what is more important—the Labour Party and Socialism would have received a thoroughly bad advertisement which would be exploited by anti-Socialists throughout the world.

§ *Existing Public Corporations*

It was in such circumstances that I turned to the Public Corporation as most likely to be consistent both with Socialist principles and with

practical success. Already two practical experiments in public corporations existed, neither of which did I follow slavishly or regard as entirely appropriate to the problem in hand: the Central Electricity Board and the British Broadcasting Corporation, both examples of that Socialist legislation which is respectable if introduced by a Conservative Government, but is Bolshevism if introduced by a Labour Government!

The Central Electricity Board was established under the Electricity (Supply) Act, 1926, to promote and control the bulk generation of electricity and to construct and maintain the bulk transmission lines. Part of its business is direct industrial management, much of it the regulation and co-ordination of other people's businesses. It was probably because of this latter consideration that the Conservative Government, instead of providing for the appointment of the Board on appropriate grounds of ability, decided that it should be appointed by the Minister of Transport after consultation with the following interests: local government, electricity, commerce, industry, transport, agriculture, and labour. The way in which this Board has been placed outside politics, but is nevertheless a public institution with a real sense of public accountability, constituted a lesson not to be followed slavishly, but from which much was to be learned.

The British Broadcasting Corporation is under a Board of Governors appointed by the Crown—which means in this case the Prime Minister

and the Postmaster-General—on no particular grounds of ability. It is a matter of some doubt as to who is the more powerful, the Board of Governors or the strong-willed Director-General, Sir John Reith, and it is a matter for argument as to whether the Director-General of the B.B.C. should or should not be a strong personality, if we remember the balancing of views, prejudices, and tastes which are big factors in the programme-making of the B.B.C. Normally, I understand the Government does not interfere with the Corporation, except that it has a veto, can require the Corporation to make Government announcements, and it seems to have a fair voice with regard to the use of the microphone on controversial subjects, especially political discussions, a matter which is clearly one of some difficulty.

The B.B.C. gets its share of trouble. The anti-Russia fanatics accuse it of being far too friendly to Soviet Russia, whilst the British Bolsheviks have not a good word to say for it. Jingoists dislike its League of Nation stuff, and the strong internationalists are fed-up with Empire Day. The B.B.C. has been criticised—I think quite legitimately up to a point—by the Trades Union Congress and the Labour Party for not being fair to Labour, although it is a matter of doubt whether it is the B.B.C. or the Government which is responsible. If I, personally, had had a decisive voice for the Labour Party about broadcasting arrangements in connection with the 1931 General Election, I should have been inclined to

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insist upon Labour having a bigger show or refused to have the Labour case put at all. In the latter case I would have denounced in public the proposed arrangements which gave the Coalition such superior treatment, and put the onus on the B.B.C. and/or the Government to withdraw the whole thing or to outrage public feeling by allowing the parties to the Coalition Government to put their case without the Labour case being heard. Electioneering by wireless is, however, so difficult to be fair about that there is something to be said for stopping it for a week before polling day or even altogether. These things said, I personally feel that as a whole the B.B.C. has done its difficult job well and fairly. It is a public institution, yet can act quickly. It is a socialised service which has been responsible for a great amount of research and technical work in broadcasting. In so far as it has been open to criticism for political bias, one suspects that the cause of the offence is largely interference by Government politicians or the fear of politicians. In any case I am more content that the B.B.C. should be directed by Sir John Reith than that it should be directed by that rather slick politician, Sir Kingsley Wood, the present Postmaster-General, even though he be theoretically answerable to the House of Commons.

§ Aspects of the Public Corporation Considered

Having cleared the ground, let us now leave aside the proposed London Passenger Transport

Board, the Central Electricity Board, and the British Broadcasting Corporation, and discuss the Public Corporation idea at large.

A Public Concern.—It is important that, from the beginning, the Public Corporation should be regarded by all, and should regard itself, as a public concern. Its first business is the competent conduct of the undertaking committed to its charge in the public interest. It must feel that it is responsible to the nation accordingly, and that it cannot be the instrument of this or that private or sectional interest. These are considerations which, whilst being made clear in the Act of Parliament or other instrument establishing the Public Corporation, cannot be set out there with eloquence and at great length. Indeed, they are considerations which are much more likely to be encouraged by the spirit in which the Minister makes the appointments of the members of the Board, by the temper and tone of the speeches in which he has expounded his legislation and his policy and, above all, by the high spirit of public service which animates most of our public institutions. As long as the Public Corporation begins right, it will quickly absorb the fine traditions of public service and freedom from corruption which characterise, for example, the Civil Service and the staff of the London County Council, and the best of our statesmen and municipal administrators. The Public Corporation must be no mere capitalist business, the be all and end all of which is profits and dividends, even

though it will, quite properly, be expected to pay its way. It must have a different atmosphere at its Board table from that of a shareholders' meeting; its Board and its officers must regard themselves as the high custodians of the public interest. In selecting the Board, these considerations must be in the mind of the Minister.

Composition of the Board.—The Board of a public corporation responsible for the management of industries or services such as those I have indicated should, I suggest, be appointed primarily on suitable grounds of competence, loyally to carry in the public interest the responsibilities to be conferred upon them, and all other considerations should be definitely secondary to these, I think, essential requirements. I will not, however, pursue here the controversy relating to a Board of ability versus a representative Board, as this important, aspect of the matter is dealt with later. There is another controversy requiring less space with which it may now be convenient to deal.

Conservative politicians, having themselves provided that the Central Electricity Board should be appointed by the Minister of Transport, and the Governors of the B.B.C. by the Government, suddenly became terribly shocked when the Labour Government proposed that the London Passenger Transport Board should be appointed by the Minister of Transport after consultation with the Treasury. Moreover, the Bill provided, as in my judgment all such Bills should, that the members of the Board, though

eligible for re-appointment, should hold office for a stated term of years and should be removable by the Minister for inability or misbehaviour, quite apart from automatic removal in the case of such misfortunes as personal bankruptcy. The Conservative politicians, conveniently forgetting their own two precedents, took it into their heads to hold that this was placing far too much power in the hands of the Minister, that it was a dangerous Socialist idea, and that it would lead to placing people on the Board for political reasons and encourage jobbery. Far from it being undesirable that the members of the Board should know and feel that they had been appointed by a Minister of the Crown in his public capacity, it seems to me that this is an essential factor in that public accountability which must be ever present in the minds of the members of such Boards. Few men and women who have been appointed by a Minister of the Crown to discharge a public responsibility have not thereby acquired a much greater sense of public spirit and public service than if they had been appointed by some capitalist investor to make money for him, or even to do public work by some hole-and-corner committee of good, bad, or indifferent people.

Somebody ought to be accountable for the appointments. There should be somebody definite to shoot at, if that last mentioned Conservative objection, namely, the possibility of jobbery, is to be avoided or exposed. The only effective way of securing this, it seems to me, is

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appointment by the Minister in pursuance of suitable statutory authority and instructions: a Minister answerable to Parliament, a member of the Government answerable to the public, a man who feels when he is making the appointments that he must make appointments which are so good that he will be free from any legitimate public criticism or suspicion. However such appointments are made, there can be no *absolute* guarantee of rectitude, but in framing the London Bill we aimed at making it as water-tight as is humanly possible against the hypothetical Minister of the future with a crooked or corrupt mind. The Bill compelled the Minister to consult with the Treasury, not because the Treasury is necessarily always right, but because its financial and staff-establishment qualifications might be of value; moreover such consultation served to answer the theory of one of the Municipal "Reform" London County Councillors, that the Minister of Transport would have too much of a transport mind. In any case, there is something to be said for one Minister gently cross-examining another with regard to his appointments, provided responsibility is defined.

Secondly, the members of the London Passenger Transport Board were to be persons who have had wide experience, and have shown capacity, in transport, industrial, commercial or financial matters or in the conduct of public affairs. This was a statutory direction to the Minister which, in practice, it would be impossible for him to

ignore. Members of the House of Commons we disqualified from being members of the Board; it is undesirable for Governments to be able to confer such public places of profit on M.P.'s or for M.P.'s to seek them.

Thirdly, I place considerable reliance on the Minister's civil service advisers, whose tradition of rectitude, incorruptibility, and public honesty would make it very difficult for a crooked Minister to make crooked appointments. They would certainly by their written Minutes to the Minister make it clear to him that it would be on record where any responsibility for crookedness lay. They would not be disrespectful to him, nor insubordinate, but, without the uttering of an unjustifiable word as between civil servant and Minister, they would make him think that he was the last word in political scoundrels if he sought to do some incompetent a good turn, and he would know that those politely framed but clear Minutes would be open to the inspection of his successor.

Finally, there is the Press: often unjust in its criticisms, it is true; instinctively desiring to be critical of public departments; but, therefore, a Press to which Ministers do not desire to present sticks with which they may be beaten. Many hard things can be said about the modern Press, and I have said them. Sometimes politicians fear it too much and are cowardly as a consequence, but it is nevertheless valuable as an apprehended danger in the heart of the wrong-doer.

§ *The "Appointing Trustees" Device*

Mr. MacDonald's Coalition Government has hit on a pitiful device for the purpose of avoiding public Ministerial accountability for the appointment of the London Passenger Transport Board. The Government in the House of Commons embodied amendments of the Bill providing, instead of the Minister of Transport after consultation with the Treasury appointing the members of the Board, that they shall be selected by a body of Appointing Trustees composed as follows:

The Chairman of the London County Council;
a representative of the London and Home
Counties Traffic Advisory Committee;
the Chairman of the Committee of London
Clearing Bankers;
the President of the Institute of Chartered
Accountants of England and Wales;¹ and
the President of the Law Society.²

This method will, of course, destroy all public accountability. The Minister will not be responsible, and questions in Parliament will be futile. The Press or the public at large can grumble, but each of the Appointing Trustees can feel quite impersonal about it because, after all, the Trustees will be responsible as a whole, and not individually. Criticism against an individual Trustee will probably meet with the answer: "Well, you

¹ At the time the amendments were carried, a Bristol accountant.

² At the time the amendments were carried, a Bristol solicitor.

must remember that I was not the only Trustee, and one cannot always get one's own way." The device seems almost to invite backstairs influence through the institutions or bodies with which the Trustees are associated, or as a result of personal, business, or professional relationships, or otherwise. The gentlemen indicated may all be very able gentlemen in the positions which they fill, but may nevertheless, be quite incompetent when it comes to selecting a Board of Management for an important public business service. Moreover, if for example it was desired to include on the Board a member of the London County Council as a person experienced and capable in public administration and if the Chairman of the London County Council for the time being happened to be the ablest and most suitable member of the Council available, he could hardly take part as an Appointing Trustee in his own appointment as a member of the Board. The Government, it seems to me, has made a fool of itself by introducing such a ridiculous scheme. It all goes to show the baffling nature of the request I always put to the critics of the proposal, that the Minister should appoint the Board, namely: "Will you suggest an alternative that is better?"

Staff and Employees.—The officers, staff, and employees of our Public Corporation are not civil servants or persons employed by the State: they are appointed by the Board and are removable in the same way, subject to whatever machinery for discussion exists between the Board and

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the Trades Unions. The Minister has no hand in the appointment of staff: the responsibility for the efficiency or otherwise of the staff as a whole is fastened upon the Board and, in turn, each officer must be held responsible for the efficiency of the staff and employees working in his department.

Both tradition and the process of recruitment make favouritism and personal influence impossible, so far as that is humanly practicable, in appointments to the Civil Service. A Public Corporation dealing with a business undertaking cannot proceed in quite the same way, at any rate for its technical and commercial staff, where it must be on the look out for men of individual capacity and must even listen to legitimate personal recommendations. It is profoundly important, however, that the Public Corporation should have behind it a strong tradition against influence and favouritism in the making of appointments to its employment roll. It would be well to have a regulation which disqualified a person approaching members of the Board on such matters, and every care should be taken to establish good practice on the part of officers in making appointments to the temporary staff on their own responsibility. There is something to be said for a vigorous civil servant of appropriate experience being seconded for service with the Board as Secretary or Establishment Officer, in order that healthy traditions may be established in this regard. There is a case for the standing orders and regulations of the Board being approved or

otherwise by the Minister, in order to secure that the official organisation is framed to run on clean and upright lines. Such outside aids and guarantees are open to argument; in any case I attach greater importance to the Minister having these considerations in mind when he appoints the Board, and impressing upon the members the vital importance of establishing at the start a sound and healthy tradition in these important matters. The principal danger is that of the members or officers of the Board listening to recommendations for appointments from Members of Parliament, personal friends, and people socially well placed. It is unreasonable to expect an officer to be responsible for the efficiency of his department if he has foisted upon him staff or employees who are incompetent, or is persuaded to retain their services after he is aware of their incompetence. On the other hand an officer who, for those appointments within his jurisdiction, appoints friends, or friends' friends, or favourites, is unworthy of his position, and if he is so weak that he accepts personal recommendations from members of the Board, he is again unworthy of his position, for the officer who submits to bad practice is just as bad as the member or other person who makes the recommendations to him. The remedy for the officer is simple: it is to say: "I am sorry, sir, but the regulations or practice of the Board are against influence in appointments, and I cannot listen." If the member or the politician takes this as an insult he should,

respectfully, be invited to raise the matter with the Board itself. If necessary, the officer should ask for protection. In any case, wherever practicable, an appropriate examination or check of some sort should precede appointments for the Board's staff; the examination itself, as in the case of those conducted for the Civil Service and the London County Council, should be free from political or personal influence. Indeed, there is a case—I am not conclusive about it—for the purely administrative staff being recruited through the Civil Service Commissioners, even though, as I suggest, the staff be not civil servants.

§ *The Level of Salaries*

Part of the case for the Public Corporation is to give the industry or service freedom from that Treasury control which inevitably, and on the whole quite properly, desires a fair measure of uniformity in the salaries and conditions of the staffs employed in the various Government departments. To obtain service of the right kind for particular positions, or even to obtain the particular man it wants for a particular post, the Public Corporation may find it expedient to pay salaries substantially above Civil Service scales, though it should certainly have regard to general conditions. One man may be quite good value at £1,000 a year, but another man who is exceptionally efficient, has great initiative and plenty of ideas, may be much cheaper for the same position at £5,000 a year. The Board must be free to take

these considerations into account, as it must also be free, if it regards it as sound and proper policy, to raise the general level of wages and conditions of the workpeople after proper negotiations with the Trades Unions.

As the number of public corporations grows, there will, no doubt, have to be instituted co-operation and co-ordination in the consideration of these matters, but even so, it must still be possible to take into account the special considerations affecting each industry. I have never been afraid to pay such salaries to chief officers of local authorities as will command the services of able men. The Labour Party, in particular, if in control of a municipality, cannot afford to be served by incompetents. The tasks which it imposes on the staff tend to be bigger and more responsible than in the case of Conservative local authorities. A municipal corporation lost the services of a first-class Transport Manager because it declined to give him a not unreasonable increase in salary. The man entered the service of a private company in a distant city and the municipality found a substitute, but it is now common knowledge that the well-being of its transport system to-day is not up to the standard it would have been had it not lost the services of a particularly able officer. Let it not be thought, however, even though in exceptional cases I might agree to pay such salaries, that I am at all in love with the ridiculously inflated salaries which are paid to a limited number of men in

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industry and a still more limited number in local government. Sometimes these salaries are paid by the employing authorities out of pure conceit, just as they are sometimes demanded by their recipients out of pure conceit, including a desire to be level with, or in front of, some other man. I have a feeling that some companies and a few local authorities think of their own dignity and status as being largely determined by the amount of salary paid to the chief officer. This is a foolish attitude. Regard should be had, in every case, to the number of persons available for such employment, the nature of the employment, and the individual qualifications of the man concerned.

In the local government service the position of the Town Clerk in the hierarchy is, in the popular mind, much higher than that of the Chief Engineer; but, particularly in the case of a large authority, it *may* be that the persons available for the successful occupation of the position of Chief Engineer are far fewer than those who could fill the position of Town Clerk. Do not deduce from this that I am arguing that the salary of the Chief Engineer should be greater than that of the Town Clerk, for it may not be so by any means: I am merely making it clear that I reserve the right to think about it according to the circumstances of the case.

In order that the community may be protected against the necessity of paying fabulous salaries because of the limited competition among people possessing the necessary qualifications, it is neces-

sary that the organisation of higher education should take into account the desirability of increasing the supply. Moreover, an important field of the work of the Public Corporation should be the industrial and technical education of the staff and employees. The capitalist practice of making a mystery of high industrial policy and the problems of direction is bad business, and unfair to the ranks below. The more all ranks of the administrative and operative staffs know about the whole process of the business in which they are engaged, the happier they should be and the better they should work, even though many of them may never become "big guns." And, what is important in relation to the present discussion—it will tend to throw up people of unsuspected capacity for the occupation of the higher positions; not that we must expect or even desire that *all* the men at the top of an industry must graduate from within that industry, for it is good to bring in "new blood" of the right quality from outside; moreover some men "find themselves" by natural ability rather than by elaborate education. Properly handled, therefore, the recent tendency to five-figure salaries could be stopped without injury to industry, as could even the four-figure salaries in cases where they are obviously not justified. The payment of what are really fancy salaries is certainly undesirable from many points of view. In some cases it is not good for the men themselves. Although I would not encourage the ignorant type of criticism in these matters, the payment of artificial salaries is sometimes a

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fruitful source of discontent below, and in many cases is not intrinsically justified. If I appear to be willing to pay big salaries in a certain number of cases, it is because I consider it expedient and cheaper as things are to do so, and not that I encourage the practice as a system.

Public Control and Managerial Autonomy.—Although the Public Corporation will require less public regulation and supervision than would a private monopoly, it is inevitable that machinery be provided for safeguarding public and other interests in certain respects. It is, however, important that this machinery should not be greater than is really necessary; that its sphere should be defined with a reasonable amount of precision; and that it should have no roving commission over the general business organisation of the Board.

For example, in the matter of charges or prices, an appeal against the Board on the part of aggrieved persons or parties might be made to a quasi-judicial tribunal of some sort.

In the case of the London Passenger Transport Bill I provided that all appeals on fares, rates, and charges should lie to the Railway Rates Tribunal. There may be a field within which an appeal to the Minister would be appropriate, but it should certainly not be on matters of such political embarrassment as charges and prices or wages and salaries.

It may be that the raising of new capital on the security of the Board's undertaking should require the sanction of the Treasury or the appropriate Minister, after consultation with the

Treasury. These are matters where the general public interest is clearly concerned. But except in so far as the machinery for such purpose is provided in the statute or other instrument creating the Public Corporation, the Board must have autonomy and freedom of business management. It must not only be allowed to enjoy responsibility: it must even have responsibility thrust down its throat. For unless responsibilities are defined and fastened upon everybody concerned, it will not be long before people try to blame shortcomings on to somebody else.

The only duties which the Minister will have in connection with the undertaking are those imposed upon him by the instrument creating the Corporation. The principal power conferred on the Minister of Transport by the London Passenger Transport Bill (other than appointing the Board) was the determining of appeals from local authorities, not on fares and charges, but on facilities, and then only such facilities as would not require the promotion of legislation. The Minister was bound to refer the matter to the London and Home Counties Traffic Advisory Committee before coming to a decision, but like the Railway Rates Tribunal in the case of fares and charges, he was bound to take into account the statutory direction to the Board to manage the undertaking on the basis that it must pay its way.¹ The Minister had a limited number of rights and

¹ My successor altered the Bill so as to transfer this power of the Minister and the Advisory Committee to the Railway Rates Tribunal.

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duties of a minor character; apart from such defined checks or appeals, the London Passenger Transport Board was intended to be in a position of responsible management.

With the exception of the limited duties legally imposed upon him, the Minister will have no right to interfere with the work of the Board. It would be quite unwise to concede him the right to send for the Board or its Chairman and to say: "Here is something you are doing wrong; you must alter your ways and pursue the following policy. . . ." A mischievous and not too competent Minister could easily ruin any business undertaking if that were permitted, whilst a weak and inefficient management would protect itself against public criticism by spreading the story that "there is too much Minister in the running of this show."

§ Board, Minister and Parliament

Without in any way interfering with management, there will be perfectly proper contacts between the Minister and the Board which will work much better if allowed to evolve on the basis of good sense and tradition, rather than if embodied in formal law or regulations. Just as a shipping company treats the President of the Board of Trade with respect because he is a Minister of the Crown and the Minister who deals with shipping, so would the Board of the National Transport Corporation have respectful relationships with the Minister of Transport. But they would be franker relationships than between the

Minister and the private railway companies, because both the Board and the Minister would be public servants. Every member of the Board would know that he had been appointed by the Minister and that the Minister looked to the Board to make a success of the undertaking. There would be another important respect in which the Board would have contact with the Minister. Somebody must be answerable in Parliament, if not actually for the Board, as in the case of direct Government administration, then at any rate *about* the Board and its work. Members of Parliament must have the right to ask questions about the work of the Public Corporations; they must have the right even to make speeches about the work of the Public Corporations on the estimates for the appropriate State department or otherwise. The answers to the questions, the material for debate, must often be obtained by the Minister's officers from the Public Corporation concerned. If all went well the Minister would give the answer or the explanation on the basis of the information supplied by the Board. Where, however, the Board was pursuing a policy which was tending to get it into conflict with legitimate public criticism, the Minister might have to say, "I do not think that is a very good answer, or explanation, or undertaking, but if it is the best you can give I will inform the House accordingly; you will not, however, expect me to defend your point of view as if it were my own because, quite frankly, I

cannot do it." The Board will, therefore, wish its policy to be so sound and popular that it can be defended by the Minister in Parliament. It is quite likely when, in certain cases, it is about to make a decision which involves ticklish policy in relation to the general public that the Chairman will have an unofficial talk with the Minister in order, not to receive instructions, but to ascertain his views and to keep his mind fully informed in readiness for any public or Parliamentary discussion which might arise.

By such means the Minister may exercise an influence where it is proper and legitimate in the public interest that he should, without in any way interfering with the management of the undertaking; and indeed often at the desire of the Chairman of the Board or the Board itself. The suspicious anti-Socialist need not at once say: "Ah! but this opens the Board to political interference," because it does not. No self-respecting Board would tolerate political interference and, moreover, the practice which I have indicated as being likely is in part already pursued as between the Governor of the Bank of England and the Chancellor of the Exchequer, and as between the Chairmen or General Managers of great statutory private companies and the Minister concerned. Thus, although neither the Minister nor Parliament would run the undertaking, Parliament would have the right to information and to discussion and criticism. Therefore the Minister must have the right to information

in order that he may transmit it to Parliament. The Board would wish to earn the regard and esteem of Parliament and the public. It would know that regard and esteem are best earned and held by efficiency, public spirit and freedom from jobbery in the management and supervision of the great undertaking committed to its charge. Its publicity arrangements (including advertising) should be adequate and alive; it would, I hope, issue as occasion arose statements of its affairs and its activities in order that the public mind might be possessed of the policy the Board was pursuing and the difficulties with which it had to contend. Thereby Parliamentary criticism and action against the Board would be reduced to a minimum—which is much to be desired, for Parliament is not too good at these things and it can be positively mischievous.

The Consultative Council.—I conceive that it would be customary in the case of Public Corporations to set up Consultative Councils or Committees for the discussion of the problems of the industry. For example, the National Consultative Council for the Transport Industry provided for in the instrument that created the National Transport Corporation, would probably be composed of representatives of State departments, Associations of Local Authorities, the Trades Union Congress and the Trades Unions representing labour in the industry, the Co-operative Movement, the Federation of British Industries, and the principal employers' organisa-

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tions concerned with industries making a heavy use of transport (*e.g.*, the Mining Association and the Federation of Iron and Steel Manufacturers), the Farmers' Union, etc.

The Chairman of the Consultative Council should be appointed by the Council itself, or possibly by the Minister. The Board of the Corporation would be required to meet the Consultative Council periodically, and it should be competent for any of the members of the Council to raise points with the members of the Board, either critically, or for the purpose of information. The Board would desire to make and circulate statements as to its policy in order that its work might be better known, and it would have to answer or deal with the criticisms or suggestions made. Let it not be thought that such consultations would be valueless. I readily concede—indeed I specifically affirm—that the Consultative Council would have no executive powers, for we have already laid it down that the Board must be held responsible for the conduct of its undertaking. But just as the Board would wish to stand well with Parliament, the Press, and the public, so it would wish to stand well with the Consultative Council as a highly representative body. The consultations would be an avenue of rectifying errors, of promoting good policy pleasing to the public and the users of transport, and of exposing foolish or unsound criticisms, proving to the satisfaction of those making suggestions that the suggestion was already applied, or that it would

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be applied, or that it ought not to be applied. Probably a minimum of three meetings a year would be sufficient for the purpose, but it should at all times be open for members of the Council—or indeed any member of the public—to communicate criticisms or suggestions to the Board, to which every appropriate consideration should be given. Under the London Passenger Transport Bill (as read a third time in the House of Commons) the London and Home Counties Traffic Advisory Committee, meeting the Board not less than three times a year (unless the Board and the Committee otherwise agree) will function as the Consultative Committee, its composition being:

Local Authorities	24
Home Secretary (including 2 to represent Metropolitan and County and Borough Police Forces)	3
Minister of Transport	1
London Transport Board	2
Labour in the Industry	5
Main Line Railway Companies	2
Motor transport, horse transport, and taxi-cabs	3
Total	<u>40</u>

I submit that, from the point of view of business efficiency, combined with the appropriate form of public accountability, the case for the Public Corporation within the field indicated is a strong one.

CHAPTER X

The Nature of the Board

NOBODY HAS SUGGESTED THAT THE BOARDS of Public Corporations should be popularly elected. Clearly it would hardly be practicable to elect a series of such Boards by national ballot. And if it were practicable, the result would almost certainly be bad.

This is generally admitted, and I suggest that the admission has a significance outside the issue of direct popular election itself. If the direct popular election of such Boards by the people is undesirable, it seems to me to follow that industrial management by the House of Commons or a Parliamentary Committee is also undesirable. And if popular election is undesirable on the ground that an elected Board would, in all probability, not be competent and well fitted for its managerial, financial, and economic responsibilities, then it seems to me to follow that the affirmative aspect of the question must be admitted: namely, that the Board must be constituted by some form of selective appointment.

I have already argued that there must be public accountability for the appointments and that the best form of accountability is the direct responsi-

bility of a Minister of the Crown. I now proceed with the further argument, which I did not then pursue, namely, that the appointments should be made on the basis of general competence, ability and public spirit for the task to be discharged.

The three principal practicable bases upon which such Boards could be constituted appear to me to be: the full-time Board of technical experts; the Board composed in the main of representatives of the interests concerned with the industry, which could be full-time or otherwise; and the corporate Board of ability.

For a body with predominantly technical tasks, requiring little direct touch with the public, there is a great deal to be said for a small body of full-time technical experts. Such a body is the Electricity Commission, the duties of which are, in the main, the technical supervision of the capital development of the electricity supply industry and the preparation of technical schemes for the Central Electricity Board; the Commissioners also act as technical advisers on electrical matters to the Minister of Transport.

Although we should not close our minds to its merits in appropriate cases, I am not convinced that this is the best type of body for the supervision of the kind of economic undertakings we have in mind. Such a body tends to be regarded by the public, and even to regard itself, as a body of officials rather than as public persons sitting on a public authority, who should speak out freely

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and frankly, although with circumspection, in public and in private on the problems of their industry. A Board of full-time technicians tends to become a Board of departmental officers, each detailed to function as a departmental manager for the respective departments of the undertaking. The Board meetings would tend to be meetings of departmental officers, each concerned to argue the case of his own department and the others not desiring to appear critical of a colleague. Certainly we need capable minds on Public Boards, but I suggest that such minds need to be more public in character, and to have more contact with the outside world than is likely in the case of the full-time technician. Moreover, the technical expert is by no means always a good administrator. Experts can direct proceedings, can give evidence, and produce schemes (I have a high regard for them), but it is customary to let the final decision rest with the competent administrative mind. Even though experts sit on the Board, they should, I suggest, be judged primarily as administrators.

It may be desirable that quite a limited number of the members of such Boards should have a close acquaintance with the industry, and even be technical experts of administrative skill with a public outlook appropriate to the task involved. This may be particularly desirable in the case of the Chairman of the Board and the Vice-Chairman, if there be a Vice-Chairman. But so far as the actual technical work of

the Board is concerned, I think it is more appropriate that the experts and technicians should be employed officers and not members of the Board. Such positions will not be mean ones. The principal officers of the undertaking must be men of great ability; their status must be high; their reports and advice will doubtless be treated with the greatest respect by the Board. But they should be the servants and not the masters of the Board. The members of the Board should be free with criticisms and suggestions; the officers should feel that criticism is forthcoming if they do not do well, and that praise will be forthcoming if they do good work. The supremacy of the Board over the officers should be respected by the officers, whilst technical knowledge on the part of the latter should be respected by the members of the Board. The relationship between the members of the Board and the officers should be one of courtesy and mutual respect for the responsibilities which each carries; it should not degenerate into those more dangerous forms of personal friendship and association "outside the business" which are nearly always bad for the dignity and efficiency of public administration.

The full-time Board of technicians or experts is open to similar objections to those I have indicated earlier in the case of the functional Post Office Board proposed by Lord Bridgeman's Committee. I suggested that that proposal was, in essence, a mere departmental conference of officers which has its place in public administra-

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tion, but that it ought not to be the place of supreme direction.

The Board representative of interests may be accepted (though even then, perhaps, without great enthusiasm), in the case of an organisation which is supervising and co-ordinating industrial affairs and is not discharging the functions of management. Such a case was dealt with in the Report on the Land and the National Planning of Agriculture presented to the Annual Conference of the Labour Party at Leicester in 1932.¹

Any political party which proceeds to elaborate plans for bringing prosperity to agriculture seems driven to constitute a plentiful supply of Boards and Commissions, which I am bound to say are appalling in their number and variety to a mind like my own, seeking simplicity and directness in administration and management; as I am not an agricultural expert, however, I can only sigh and pass on, hoping that it is all for the best. But the political mind has sometimes a dangerous tendency towards the setting up of elaborate machinery in the belief that machinery itself will solve our problems, whereas the important thing is work and action rather than talk. I am tempted to engage in a little cynical humour, for example, when I remember that the Agricultural Report with its numerous Boards and its generously guaranteed representation of interests (capitalist as well as labour) and with a very slight element of socialisation, went through a particularly

¹ The Labour Party, Transport House, Smith Square, S.W.1, 2d.

Socialist conference with absolute ease, as compared with the high-toned but lively debates and contentions which centred round the other reports containing vigorous policies of socialisation, and deliberately aiming at getting capitalism off the earth with all practical speed! But cynical humour is dangerous: I gag myself at once.

The advocates of the representative principle, however, have not confined themselves to supervisory and co-ordinating Boards, for the principle has been strongly urged, if not always logically applied, to the composition of the actual Boards of Management charged with responsibility for the conduct of the complex and subtle business of economic undertakings such as transport and electricity supply.

I will first of all, quite shortly, clear out of the way the most cumbrous application of the representative principle which has come to my notice. It was the scheme put before the Joint Select Committee of Lords and Commons on the London Passenger Transport Bill by the witness of the London County Council (Sir Oscar Warburg), who is a bit of an arm-chair philosopher and who has a genius for constitution-mongering. This scheme suffered from the machinery complex and so, quite naturally, provided that there should be two Boards running London passenger transport instead of one; the Board above, and the Board below—a sort of heaven and hell of transport management. The Board above was to be the Supervisory Board appointed by local,

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financial, and economic interests. There were to be represented on this Board, the Minister of Transport, local government in the area, the Bank of England, and labour in the industry (coming from a Municipal "Reformer," that "touch" must be regarded as "tactics" against a Labour Minister). This Supervisory Board above would in turn appoint from within or without its number a full-time Board which would be responsible for management, subject to being interfered with and directed by the Supervisory Board of interests above to whatever extent that Board desired. It will now be apparent why I have likened the Board above and the Board below to heaven and hell! Who *would* be responsible for a great and complex undertaking in such circumstances, I do not know; any more than I find it easy to imagine men of real first-class ability who would be content to be held responsible for management on the Board below, and at the same time subject to the roving commission of the Supervisory Board of interests above, which might quite possibly be composed of not particularly competent people.

Let us now turn to the more usual controversy: that in which both sides accept the position that there should be one Board of Management, but one side taking the view that the Board should be composed in the main of representatives of interests (for even though it is only one interest claiming representation at the moment, we may be sure that in practice the application of the

principle cannot stop there), and the other side holding that the appointments should be made on grounds of ability. In the negotiations connected with the London Passenger Transport Bill, I had to deal with three main claims for representation.

Some of the representatives of the shareholders in the existing private undertakings put a case which I hope is fairly summarised as follows:

"You are taking our property and vesting it in a Public Corporation; in some cases you are taking it under compulsory legislative powers, and even though in other cases the transfer is by agreement, those who have agreed have done so in part because they have had to take into account the Government's power in Parliament. You are giving us London transport stock in return for our property without any State guarantee that the interest will be paid. One of the elements which will determine whether the interest will be paid will be the efficiency of the London Passenger Transport Board. Yet, although you are transferring to the Board the management of what was our property, you are giving us no voice whatever in the selection of the Board or even a part of the Board, whereas hitherto as shareholders we have had the right to elect our Boards of Directors. Seeing that you are taking our property, giving for it transport stock and not cash, and giving us no State guarantee as to interest, we think you ought to give us the right

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to appoint the Board or part of the Board. Moreover, this concession will smooth the passage of your Bill and will give us greater confidence in the Board."

My answer was at all times a decisive negative in something like the following form: "I cannot concede that. It is not only in conflict with the Government's general principles, but with the fundamental basis upon which the Bill is framed. You must take it from me that the new authority is to be a *public* authority, managing a publicly-owned concern. The representation of shareholders is inconsistent with the public status of the new Board, and would to whatever extent it was applied convert the Public Corporation into something very much like a private company. The first object of the new Board must be public service. For that reason I not only resist your claim, but I am going to provide that the members of the Board are to have no personal financial interests in private transport undertakings, or even in the new public undertaking itself. We must not only see to it that the members of the Board are free from personal interests in fact, but also that this is made clear to the public at large.

"Moreover, with all respect, I suggest that if a Minister of the Crown who is accountable to Parliament and the public makes appointments in pursuance of a statutory direction that he is to make them on grounds of ability, we are more likely to secure competent directors of the under-

taking than if the late shareholders elected the Board or part of the Board. After all, even Mr. Baldwin has criticised the personal capacity of a considerable proportion of the directors of limited liability companies; it is widely known that many directors are not appointed for their general business capacity or their knowledge of the undertaking concerned. Many of them are appointed in view of their social position, including the possession of a title, in order to satisfy the investing public that at any rate they will not run away with the till! Some are chosen for their complacency. Some of them possessing social position are appointed because they need an income; it is at times a way of doing them a good turn. Some of them are appointed because they are ex-Ministers who need an income until their party comes into power again, and in the meantime are useful to the undertaking as an influence in Parliament, or with the Government of the day. A considerable proportion of them appointed themselves as promoters or the representatives of promoters. Some of them have been appointed by way of jobbery on the part of relations or friends among existing directorates. I freely admit that some of the directors of private companies are men of capacity and public spirit; they are the kind of men (among others) whom I should be willing to consider for some of the seats on this Board, or the Board of any other Public Corporation. But the theory that the shareholders elect or accept nominees who are the best people to

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hold the directorships in all cases, or even in a majority of cases, is a theory which I cannot accept. Believe me, this undertaking is more likely to be efficient under the proposed Board than under a Board that the shareholders would elect.

"Finally, if I were capable of forgetting the principles upon which I am proceeding to the extent of giving you seats on the Board, I should at once be faced with a clamour of other interests for representation and should be landed with a Board of interests instead of with a Board of capacity and public spirit."

The second element, the local authorities, were, generally speaking, reasonable and did not press the demand for statutory local government representation on the Board, even though the Board was to be responsible for a service restricted to the London traffic area. The most important of the local authorities, however, the London County Council, did make a big fight all the way through for this principle, and I had to resist it. Although I had every intention of seeing to it that, at any rate, one capable person experienced in local government administration in the area should be a member of the Board, there were strong objections to conceding to local authorities a statutory right of nomination.

Firstly, there were 168 local authorities in the London traffic area, and any machinery of selection of one or even two persons from among them was bound to be unsatisfactory and un-

democratic, and would provide no certainty of producing the right man. If the right had been conferred on the London County Council itself, this might have pleased the Council, but would have set all the other local authorities up in arms. A representative selected by local authorities would in his work as a member of the Board be tempted to think more about pleasing those who appointed him than the corporate well-being of the undertaking itself. And finally, once I conceded a statutory right of nomination to anybody, I should be lost with a number of other interests which would not unfairly claim to be given similar rights.

The question of labour representation on the Board and its status in industry raises substantial questions of public policy to which separate chapters are devoted.

CHAPTER XI

Labour and the Board

THE THIRD ELEMENT, CLAIMING THE RIGHT OF representation was, for a number of reasons, the most difficult to resist, namely, labour in the industry. As discussions proceeded, it became clear that the Trades Unions concerned had differing views, though all of them equally desired, as I did, that working class opinion, experience, and knowledge should not be excluded from membership of the Board. The real difference centred on my desire that all members of the Board should be chosen by the Minister on grounds of capacity coupled with loyalty to the new undertaking. The three Railway Unions, who acted jointly, accepted my view. The Union which made a big fight for the principle of direct Trade Union representation, both with the Labour Government and before the Joint Select Committee, was the Transport and General Workers' Union, a powerful and ably organised Union for which, in common with the Railway Unions, I have a high regard.

With all the Trades Union officials concerned my personal relations were good. It is true that, in earlier years, my Socialism had been in conflict with what I hope I am not unjust in describing as

the somewhat sectional industrialism of Mr. Bevin and Mr. Cliff. It will be remembered that they held that the interests of the workers in the industry demanded the passage of the London Traffic Act, 1924, which gave the Combine the advantage of what approximated to a statutory monopoly of London omnibus traffic, and that London Labour M.P.'s (of whom I was one) incurred some amount of displeasure for opposing the Bill on Socialist grounds. It was also the case that Mr. Cliff was a powerful influence behind the Blue Report of 1927 which, in effect, proposed to hand the municipal tramways over to the Combine to manage and which proposed to perpetuate existing ownerships for at least forty-two years. It is true that the Union opposed the Traffic Co-ordination Bills, claimed by their authors to be a partial implementing of the Blue Report, and London Labour was grateful to the Union for its opposition; but on Socialist grounds we not only opposed the Traffic Co-ordination Bills but the Blue Report itself.

The new difference of opinion between us was in a somewhat different category; nevertheless the same conflicting philosophies were involved, as they were at the Leicester Conference of the Labour Party in 1932 when, on behalf of the National Executive, I submitted the Report on the National Planning of Transport. Reluctant to disagree with good friends, I felt it my duty to resist the claim of the Transport Workers' Union, because I was not convinced that the

statutory right of the representation of labour in the industry would necessarily provide the best man from the ranks of labour; it would involve a difficult and embarrassing business of selection from the names submitted by the various Trades Unions in the industry; and if I conceded the statutory right of representation to labour in the industry, I should—as I argued in the other cases—inevitably be involved in almost irresistible demands for the right of representation from other elements or interests. In the long run a Board nominated by interests is almost as destructive of the Minister's public accountability for the appointments as is the "Appointing Trustees" device of the Coalition Government.

In connection with the London Bill, therefore, I gave a negative answer as regards this kind of demand to all the interests which put it forward.

I have not argued extensively the case for and against the representation of labour in the industry on the London Passenger Transport Board, because I think it better that we should consider the general principle, quite apart from its concrete application to the circumstances of the London Bill. It is a claim that must receive proper consideration, for labour in the industry, in my judgment, has a far better case to argue than the shareholders of the former private undertakings. Labour is an active and not a sleeping partner in industry.

§ *T.U.C. General Council View, 1932*

The principle involved was debated both at the 1932 Trades Union Congress at Newcastle, and at the 1932 Annual Conference of the Labour Party at Leicester. The General Council submitted to the Trades Union Congress one of those valuable reports which is a credit to its capable secretariat, namely, the Report on the Public Control and Regulation of Industry and Trade.¹ Without committing itself to uniform application to every industry, the report of the General Council favoured generally the lines followed in the London Passenger Transport Bill. On the question of the representation of the Trades Unions of the industry on the Boards of Public Corporations, the Report made the following observations:

“When we come to consider an entire industry or service that has been socialised, it is only possible to indicate broad principles, as the great differences between various industries must mean considerable differences in organisation. Generally speaking, it may be taken for granted that there would be a Central Board of some kind for the industry, and, for the reasons given in earlier memoranda, it is suggested that members of such a Board should in all cases be appointed by the Government, and should consist neither of technical experts

¹ See Report of the Trades Union Congress, 1932, page 206.

nor of representatives of particular interests, but of persons appointed solely for their ability to fill the position. Any of the persons appointed might be chosen from the business world, the Trade Union Movement, the financial world, public administration, and so on, but not as representatives of such sectional interests. There should, in each case, however, be an Advisory or Consultative Committee in close association with the Board, and this Committee might consist of representatives of different interests, *e.g.*, Trade Unionism, consumers, industries closely affected, and so on. In this way, the workers' organisations would be able to secure full information regarding all the financial and commercial aspects and results of the industry, and to bring influence to bear upon policy from the point of view of their constituents."

Unfortunately, the Report did not come up for debate until towards the end of the Congress, and it had only been before the affiliated Unions for a fortnight. In the circumstances, after a short debate, Mr. C. T. Cramp, who was in charge of the Report, agreed that the Congress should not be committed, but that the General Council would seek the views of the Executives of the affiliated unions and would come to its conclusions after considering those views. In the course of a speech during the debate, Mr. John Cliff (Transport Workers' Union) made the following state-

ment on the point with which we are at present concerned:

“Let me deal for a moment, in conclusion, with the question of labour participation in management. What have the General Council done in dealing with this question? They offer us Whitleyism. The only offer to Labour under a socialised industry is Whitleyism. I suggest that what the workers are seeking is not Whitleyism. I have had experience of Whitleyism and made the best possible use of it, but however vague the ideas of Labour may be, Labour is certain about what it wants. It wants power. The General Council here say that Labour can have discussion, but they must not have determination; Labour must not have executive functions in industry, but they may have advisory functions. I suggest to the General Council that we do not want consultation. We have had consultation, and we want to go on in order to determine our own conditions in industry, and a Congress that declares against direct Labour participation in industry I suggest is not expressing the mind of workers in industry. If we are to get anything out of socialised industry it must mean that we are going to have greater freedom for the workers in industry, and there is nothing of that brought forward in this Report.”

§ *Labour Party Executive View, 1932*

At the Labour Party Conference, which followed at Leicester in October, 1932, the Executive submitted two reports—the National Planning of Transport¹ and the Re-organisation of the Electricity Supply Industry¹—which were broadly harmonious with the Report of the General Council referred to above, and I was deputed to take charge of both reports. The following paragraphs taken from the Transport Report are relevant to the issue:

“The proposed constitution of the Board raises a question around which there has been some controversy; for there is still a body of opinion which maintains that such a Board should be representative of particular interests, *e.g.*, the former shareholders, the users of transport (*e.g.*, the Federation of British Industries as representing manufacturers, etc.), labour in the industry, labour generally, employers generally, local authorities, etc. There are two main arguments from a Labour point of view against the representative idea. The first is that a Board appointed on grounds of ability is likely to be far more efficient; and Socialists, above all, must keep the communal interest to the fore. Members appointed by particular interests would naturally tend to concentrate primarily on pleasing those inter-

¹ Labour Party, Transport House, Smith Square, S.W.1, 2d.

ests, rather than to be concerned, without fear or favour, with the general efficiency of the undertaking; their control or influence by such interests might be injurious to a proper corporate spirit and would diminish the very necessary feeling of responsibility to the public as a whole. Nor does the appointment of members selected in a representative capacity, and not primarily or mainly for their personal ability, appear likely to result in the most efficient Board for a task which is complex and highly responsible; for it is vital to Socialism that national ownership should show itself superior to private enterprise in all-round efficiency. To nobody is this more vital than to the workers in the industry; for the operative grades have already suffered enough from inefficiency at the top.

"The second main objection to the representative idea is a more particularly Labour one. At first it might appear attractive to have representatives of the employees on the Board; but in practice it is doubtful how far such representation would be really effective. The members' position would be one of great difficulty. They might have some influence in certain directions, or the rest of the Board might endeavour to play off one against the other or use them as a partial protection against legitimate criticism by the very people they represented; how far they succeeded or how far they failed would depend on their per-

sonality, ability and authority. On problems of wages and other working conditions, their position would be very awkward, and also in cases of trade disputes.

"Moreover, if Labour claimed representation, it would be difficult to resist a similar claim from the users of transport, a large number of whom are, of course, organised in the various employers' organisations, which would promptly claim to be accredited representative bodies. The local authorities as a whole might also make out a fair case for representation; and even the former shareholders, who might still be interested in ensuring that the interest on their stock was paid (if that method of taking-over were adopted), would have a certain claim. Thus the Board would tend to contain a permanent majority of capitalist and anti-Labour interests.

"It does not, of course, follow, nor would it be for a single moment desired, that members of the Labour Movement should be excluded from membership of the Board. In the trades unions and the Co-operative Movement, for example, there are members and officers of wide, valuable experience and executive capacity, and this will be increasingly the case in future; in central and local government there are Labour representatives of considerable ability; while there are many members of the Labour Movement who have developed the necessary qualifications in their private em-

ployment. In practice, no Minister of Transport could ignore this fact, nor in particular could he ignore the special experience to be found in the trades unions. It would, indeed, be the duty of a Labour Minister of Transport to insist that these sources be drawn on; but the *final test* must be that of individual capacity, about which, however, there should be no difficulty."

On behalf of the Transport Workers' Union, Mr. Harold Clay moved, to the resolution approving the Report, an amendment which provided that certain of the members of the National Transport Board, and/or of any Directing and Managing Authority that may be established, shall be appointed by the Minister only after consultation with the Trades Unions having members employed in the industry. Perhaps I may be permitted to observe, in passing, that the principle of the proposal has never been applied to the composition of the Transport Workers' Union Executive, the T.U.C. General Council, the Labour Party Executive, the Workers' Travel Association Committee, the Council of the Independent Labour Party, or—as a general practice—in the Co-operative Movement: yet, if the principle of "the representation of the workers in the industry" is sound, why not? For the staffs of these bodies have much knowledge and experience.

§ *Another Labour View*

Setting the merits of the controversy aside, Mr. Clay made a brilliant Conference speech which undoubtedly impressed a considerable proportion of the delegates. I am anxious that his argument shall be properly stated here, and I trust that the following extracts from his speech, as reported in the Labour Party's Conference Report for 1932, state faithfully the point of view he expressed at the Conference on the merits of the point we are discussing: ¹

"In the amendment we are seeking to humanise the machinery that the Report visualises, and we believe we can do that without loss of efficiency. We have no room for inefficiency in industry, because our people are the people who suffer; but we believe we can bring from the Trades Union and Labour side an element into industrial management that has been absent in the past, and it is due to the absence of that element that industry is in many cases in the position it is to-day. We are as public-spirited as any employer, or any of those who have acted for employers in the past. We are out for efficiency equally with Mr. Morrison, but efficiency that is not devoid of what I might term humanity. . . .

"Mr. Morrison said I might look at paragraph 46. I have looked at it and I say, with all

¹ For my own speech, to which Mr. Clay was replying, see Labour Party Conference Report, 1932 (Transport House, S.W.1, 1s.), pp. 211-214.

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respect to Mr. Morrison, that it is the shadow with no element of substance about it. What Mr. Morrison forgets is that Labour will not always be in a position of power at the Ministry of Transport, and he might not always be Minister of Transport if we had a Labour Government. I want to say, speaking for my own Union and, I believe, for a considerable section of the Labour Movement also, there are very excellent people within our Party who are not altogether what we would like when big fundamental Trade Union problems have to be dealt with.

"The Report before us offers us Whitleyism. Well, I have been working Whitley machinery since 1919. What is it? It is wage regulation machinery and nothing more. We will get the best we can out of that, but that is not control in any way. Then it offers us an advisory committee. We can advise the fellows who are in the seats of the mighty, and we can take their advice or otherwise. I am not decrying the value of advisory committees if those who are on those committees know their job; but that is not a substitute for power, and in this Report there is no suggestion at all that the workers within the industry shall have a definite place where policy is decided and where operative decisions are made. And when you come to wage questions and the like, those are conditioned by the kind of policy that has been determined before.

"Make no mistake about it. The political Labour Movement this week has shown that it is out for political power, so the workers in industry are going to see that they are for industrial power. Mr. Morrison referred to a number of dangers and difficulties which, unfortunately, I have not time to deal with. Let me say this in a sentence. Of course, if Trades Unions are represented on the Boards, their men will be in a position of difficulty, but then the rank and file can say no worse to you on those occasions than they say now. But, after all, it is not what the rank and file chap says to you, it is what he really feels, and sometimes when he is saying the strongest things, he knows you are doing jolly well for him.

"There is a fear, we are told, that if you open the door to labour you are opening the door to other interests. We do not accept that point of view at all, because we do not, with all respect to Mr. Morrison, put labour in the industry in the same category as the users of transport. We do not put them in the same category as the London County Council. We are told that if we get labour represented we shall always have labour in a minority, but if we leave things, as the Report states, to the kindness of a Minister of Transport, then some day in the long run, when we will all be dead, labour will have a majority on the Board. That is not good enough for us. Labour is staking out the claim now, and for one very good

reason. Mr. Morrison assumes, if his argument means anything, that we are living in a Socialist society to-day, and we are not. This is a class society, whether we like to admit it or not; and whether we say that interests will be represented or not, interests will be there. Every interest but that of the people who are actually doing the job.

"I say, with all respect to my friend, Mr. Morrison, that he is living in a world of unreality. He has worked out a scheme and he says that it works; he believes in it and he has sufficient drive to convince the Executive, but I hope he has not sufficient drive to convince this Conference to-day. I do not happen to be a Syndicalist. I went through that Movement like many others. I am a Socialist. I believe in political democracy, but I do not believe that can become complete until you have industrial democracy. One of my difficulties in reading this Report is that it appears to assume the permanency of the purely commodity status of labour. That, I think, is a fundamental objection. It assumes that the Board will be a kind, benevolent sort of thing that will give to labour an opportunity to learn more about the job. Good heavens! we can teach them more about the job than they ever knew. I have been dealing lately with the development of Company Unions, welfare schemes and things of that sort. That kind of thing is not good enough for us.

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"Finally, this report pays no regard to what I may term the humanities of labour. I would like to have the spirit which animated Tawney when he wrote his *Acquisitive Society*. After all, industry has a purpose, and if that purpose is going to be finally achieved, then the workers within the industry must have full citizen rights. They have not only to be efficient wealth producers, but they have to realize that in doing their job, and doing it well, they are ministering to the community as a whole and rendering service to a great ideal.

"Our amendment, if I may say so with respect, or an amendment which embodies the principles I have attempted to enunciate, will be accepted as the beginning of a big forward movement. For, after all, the thing that counts in this world is power. The thing that counts is the capacity to wield power. We have that power. We are outlining now at least the beginning of that opportunity, and I feel myself that this Conference this morning, by accepting this amendment, can give a great call, not only to the political Labour Movement, but to the industrial movement in this country in a way that we have not done since the 1918 programme was issued by the Labour Party—a programme which in itself accepted the very ideas embodied in our amendment."

Since then, Mr. Clay has made another speech; it comes very near to Syndicalism according to a

report which appeared in the *Daily Herald* of January 9th, 1933. He was addressing the University Labour Federation at Sheffield:

"Industry will follow one of two alternatives in the near future—extensive trustification or socialisation. Trades unions must reorganise to be prepared for the day when socialisation becomes a fact.

"The workers should have control of the right of appointment to supervisory positions," he added. "The claim of industrial labour must be that those who are in positions of authority must have some responsibility to those in the manual and operative grades.

"I would submit as a general ruling principle that in a completely Socialist state the running of industry would be by the people *within* that industry."¹

Speeches supporting the Report of the Executive at Leicester were made by Mr. C. T. Cramp of the National Union of Railwaymen, and by Mr. A. G. Walkden of the Railway Clerks' Association, who had just been elected Chairman of the General Council of the Trades Union Congress. Mr. John Bromley, of the Locomotive Engineers and Firemen, dissenting from the views to which all three Railway Unions were committed at the time of the negotiations on

¹ As a realistic commentary on this viewpoint, see the frank statement of the Russian Trade Union leader, Mr. Goltzman, in Chapter XII, p. 215 of the present volume.

the London Passenger Transport Bill, supported the Transport Workers' amendment. As the General Council at the Trades Union Congress had agreed to give further consideration to the question, on behalf of the Party Executive, I agreed to take back those parts of the Report which involved the issue of workers' representation on the Board, and, subject to this, the resolution embodying the principles of the Report was adopted, the Electricity Report being treated similarly.

As I had apprehended, the anti-Labour Press, although the Conference had come to no decision on the issue, was very pleased. It declared, in effect, that the debate showed that the Labour Party was incapable of taking a broad social and national view of economic policy, but allowed itself to be dominated by the sectional interests of the Trades Union leaders in the industries being dealt with; and that, whilst the Labour Party might get the votes of the organised industrial workers, it would fare badly among the millions of other electors whose support it must obtain in order to get a Parliamentary majority. Such criticisms were premature and unjust in respect of the Labour Party and the Trades Union Congress as a whole, and were unfair to the delegates who had supported the Transport Workers' amendment. Nor is it true to suggest that the Trades Unions of each industry claimed the exclusive right to determine Labour Party policy in relation to that industry. The claim

was not made; I cannot believe it would be conceded if it were made. Politicians in all political parties take account of their "big battalions"—some of them are at times improperly afraid of their "big battalions"—but to suggest that Labour Party leaders when dealing with the problems of an industry are made the slavish instruments of the Trades Union leaders catering for that industry is not only untrue, but any Labour Party leader who permitted himself to be so enslaved would be unworthy of his position. I can only say, so far as my experience in this respect at the 1932 Party Conference is relevant, that although it was known in advance that I held strong convictions against the policy expounded by the Transport Workers' Union, I have not heard of a single Trade Union that refused to vote for me as a candidate for the National Executive because of the line I took against a substantial body of Trade Union opinion.

Quite apart from any question of sectional industrial interest, or of any ambition on the part of Trades Union leaders to become members of such Boards (indeed I rather think that, when it came to the point, there would be few of them anxious for the embarrassments of such a position, unless they intended to give up active official Trade Union work), the fact must be conceded, disagree with it though I do, that behind the Transport Workers' Union amendment there is a social philosophy which the politician may in its particular application dispute and reject, but

which he cannot ignore or rule out as outside the scope of argument. That social philosophy is indicated in the Leicester speech of Mr. Clay, quoted above; indeed, in the constitution of some of those public trusts and bodies which are frankly based upon the representative principle (e.g., the Port of London Authority), it has been conceded by Conservative and Liberal Governments. Because the Central Electricity Board was co-ordinating and supervising other people's property, the Minister of Transport was directed to take account of the desirability of the representation of interests in making appointments to the Board, and in the case of the public dock and harbour authorities which have Boards constituted on the representative principle, the representation of labour is conceded in certain cases even where no statutory right of labour representation exists, although other interests have such a right. I made a number of appointments to such bodies whilst Minister of Transport of competent men from the ranks of labour associated with the transport and other industries. Some of them, such as that to the Mersey Docks and Harbour Board, constituted the first recognition of the rights of labour by a Minister of Transport. Incidentally, I may say that I got no credit for this in the debate at Leicester; indeed it was not mentioned by my critics. But one must not expect too much!

§ *The Criticism Examined*

The Labour Movement feels, and rightly feels, that Labour has for too long allowed itself to be regarded as the hewer of wood and the drawer of water for the classes above. It is not with the spirit, but with the form and the practical consequences of the Transport Workers' Union policy that I disagree. I am of the working-class myself and I share in the revolt of its more enlightened elements against the commodity status of the workers by hand and by brain. But that commodity status will remain in greater or lesser degree as long as society is divided into owners and proletarians; and it is self-deception to think that it is ended or materially affected because, as an act of kindness, such and such a Union has been allowed to nominate Brother So-and-So as a member of such and such a Board, where he sits side by side with a majority representing capitalist or non-Labour interests. They will be nice to the representative of Labour who has been allowed in, will these hail-fellow-well-met, soft-mannered capitalists. Indeed the representative of Labour must be a man of strong character if his spirit of working-class independence is not to be smothered by that kindness of which the British *bourgeoisie* has great resources for use in circumstances which are advantageous to it; the "aristocratic embrace" has been used against Labour industrialists as well as Labour politicians. But it may not regard him as

a man whose services have been sought because of his personal capacity: it will tend to regard him condescendingly (though the condescension will not be manifest), as "one of these Trade Union chaps put on the Board to please the workers." In a real stand-up fight with labour in the industry he may fall out of the picture, either because the other side do not want a man responsible to the Trades Unions to be too much in the know, or because he himself would feel uncomfortable "on the inside" at such a time, or would be suspected by his rank and file and held jointly responsible for the anti-strike activities of the Board.

I can understand, though as a Socialist I reject, the Syndicalist demand of "the mines for the miners" and, presumably, "the dust for the dust-men"; but with all the good-will in the world, I cannot share in Mr. Clay's emotion and idealism on the demand that the Unions in the industry should have a statutory right to appoint or nominate one or two members on the Board. I regard it as an undignified and humiliating proposal, particularly as it is highly probable that the actual workman still engaged in the industry would rarely, if ever, be nominated. I work for the classless society of Socialism; the stereotyping of the representation of classes and interests on the Boards of public concerns seems to me to be capitalist rather than Socialist in its philosophic basis. I want working-class people to be members of such Boards—the more of the

right kind we can find the better—but I want them to be appointed as equals with other members by a Minister publicly accountable for his appointments; I want them to be appointed on grounds of personal capacity; as will be seen from Chapter XIII, I make proposals whereby the number of actual industrial workers possessing the necessary capacity will be increased; I want them to sit at the Board table, not as workmen guaranteed seats by an act of Parliamentary charity, but as full equals, appointed by a Minister of the Crown because of their personal fitness for the duties to be discharged. From this point of view the proposal that labour, and labour alone, should have a statutory right of representation is particularly humiliating, and would put the representative of labour, *vis-à-vis* his colleagues, in a special category, a category, I suggest, of presumed inferiority.

§ *The Inevitable Consequence*

As a matter of fact, however, it would not be practical politics to restrict the statutory right of representation to labour in the industry. Take the composition of the Board of the National Transport Corporation. Once the principle of the statutory right of representation was conceded to labour in the industry, other—and in the Parliamentary sense, probably irresistible—demands would arise. I am not sure that the General Council of the Trades Union Congress would

concur in the interests of organised labour outside the industry being ignored. I can conceive a strong demand coming from the Co-operative Movement for the right to appoint members to the Board, and it is highly probable that a Parliamentary Labour Party—once having conceded the principle—would not wish to resist the claims of the Co-operative Movement. The farming and rural interests would put up a powerful case on the basis of the vital importance of transport to agriculture and the rural industries, and I foresee a dangerous coalition of Conservative and rural Labour M.P.'s on such an issue. Other demands would come from the general body of manufacturers, from heavy industries such as mining and iron and steel, from the associations of local authorities, from the former shareholders, etc. The test of ability and loyalty to the undertaking—which should apply to *all* the members of the Board—would be very difficult to operate. At the end of the Parliamentary battle we should have got a Board, not appointed because of personal ability, not thinking and acting corporately for the economic well-being of the undertaking and for the public service, but a Board of very doubtful ability, probably of a fairly high average age, some of them put on as a "good turn," each one of them thinking just as much of pleasing the interests that appointed him as of the corporate well-being of a great socialised industry. A Socialism that succeeds will expand and prosper, but Socialist experiments that fail

will be exploited by the anti-Socialists and will bring Socialism itself into disrepute. In these circumstances, fully recognising the equal sincerity of the critics, I believe that I was upholding the best traditions of Socialism when I resisted the Board of interests and fought for the Board of ability in providing in the London Passenger Transport Bill that—

“ the members of the Board shall be persons who have had wide experience, and have shown capacity in transport, industrial, commercial, or financial matters or in the conduct of public affairs.”¹

If the Labour Movement chooses at this stage, it can take the other course with pre-war phrases of “ Workers’ Control of Industry ” resounding in its ears, phrases which it never analysed or applied to concrete business problems. Impelled by emotional appeals and denunciations, it can assume that qualifications of personal competence need not be carefully taken into account by the responsible Minister in making appointments to the Boards of Public Corporations. But it will not continue to do so. After a time it will, I am convinced, see the error at great cost, and modify its policy.

¹ Clause 1 (2) of the Bill as amended in the Joint Select Committee.

CHAPTER XII

Soviet Russia's Experience

RUSSIA HAS BEEN THROUGH THIS EXPERIENCE but, fortunately for its Government, it did not have a Parliamentary democracy which could throw the Commissars out of office for muddling industrial direction, as they undoubtedly did in the difficult early years of the Revolution.

A study of the successive decrees of the Soviet and the Russian Communist Party in relation to the management of industry is profoundly interesting. The Russian Bolsheviks¹ had been as reckless as anybody, and more reckless than most, in their talk about the mines for the miners and the factories for the factory workers. For a period, they carried out their slogans and kept their Soviet election pledges.

Issued on November 14th, 1917, immediately after the Bolshevik Revolution, one of the first decrees of the Russian Communist Government provided that "control shall be exercised by the workers in each undertaking as a whole through the medium of their duly elected representatives . . . working in conjunction with the delegates appointed by the salaried employees and technical staff." The appointment of the workers' repre-

¹ See *The History of the Russian Revolution*, by L. Trotsky.

sentatives in the management was, I understand, secured through the Trade Union organisation, and the principle was applied to an industry generally as well as to a particular factory. The system of workers' control, however, was not long lived, for by February, 1918, the authorities appear to have contemplated its abandonment. In March, 1918, at the first session of the Supreme Economic Council, Larin had to admit the failure of the effort to set up workers' control:

"In the beginning, workers' control was tried. This experiment did not succeed; in certain places it led to the entry into possession by the workers of the enterprises where they worked, and in others to a fictitious control which served as a screen to the proprietors of the establishment. The idea of workers' control had to be abandoned little by little, and groping blindly we pass to the idea of workers' management of the enterprises. But experience obliged us to abandon the idea of management of a factory by its workers and employees, which in practice was equivalent to the substitution for a single proprietor of a group of proprietors whose interests were in contradiction with the interests of the working-class as a whole."

Goltzman, a member of the Central Committee of the Metal Union, criticised workers' control in *Izvestia* of April 27th, 1918:

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"What has workers' control given us up to the present? We must have the courage to admit that its results are not always satisfactory. Often—it may be seen in many enterprises—instead of the former proprietor of the enterprise, after the October revolution another proprietor came who was just as individualist and just as anti-social as the previous one. The name of the new proprietor was 'Control Commission.' In the Donetz basin the metal works and the mines refused to deliver to each other coal and iron respectively on credit, and sold the iron to the peasants without taking into consideration the interests of the State. All this took place under the protection of the workers' control. The Control Commissions in several works asked the State for subsidies for *their* works. At the request of Control Commissions several little enterprises which were not up to date from a technical point of view, were nationalised and became a heavy charge on the budget."

A decree of March 3rd, 1918, ordered that all undertakings abandoned by their owners were to be managed by a Board composed of equal numbers of workers, technical workers, and representatives of the Supreme Economic Council, this being, it will be observed, a definite modification of the measure of workers' control. In exceptional cases local workers' organisations were entrusted with the management of such

undertakings. A more systematic scheme of nationalisation was introduced on June 20th, 1918, and this provided that the nationalised undertakings were considered as leased free of charge to their former owners; and the instructions which followed this decree respecting the management of nationalised enterprises went only so far as to mention the control exercised on the management by the workers' organisations. This control, however, in fact led to numerous disputes between the workers' control committees and the management and technical staff; the issue was determined by giving the Trades Unions the right to nominate the majority of members of the executives of the various undertakings, but it was understood that the technical workers had to form part of the workers' Union. Thus the technical workers were eligible for nomination to managerial posts.

Although Trades Union leaders towards the end of 1919 were urging the management of the entire economic system of the country by the Trades Unions, this did not find favour in the higher economic administrative circles where there was a tendency to limit the collaboration of the Unions to questions relating to the general welfare of the workers. While the Trades Union leaders gave support to the scheme of industrial management by governing bodies, in 1919 several of the Soviet leaders had begun to demand that the economic undertakings should be managed by single managers having complete responsi-

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bility, instead of by the governing bodies indicated above. Indeed this view was taken by Lenin at the Third Congress of Economic Councils, when he said:

"Experience proves, on all sides, that the more perfect the organisation of a State becomes, the more restricted is the collective principle. Practical work depends upon the responsibility of one person, because this system enables one to discover and utilise the actual efficiency of each worker. . . . It is evident trade unions must take part in economic administration, as this is the foundation of our programme, but it is sufficient for them to put forward candidates."

The steady evolution of Soviet thought away from the cruder forms of workers' control was again manifest at the Ninth Congress of the Russian Communist Party in 1920, when a compromise resolution was adopted providing that an individual manager of an undertaking might be either an experienced Trades Unionist or a technical worker aided by a Trades Union official (or by Trades Unionists in a consultative capacity). It was conceded that the system of collective management might be maintained when it gave satisfactory results.

Up to the introduction of the famous New Economic Policy, the Trades Unions appear to have been the masters of the economic enterprises. In certain undertakings the Unions did

not constitute the entire governing body, and they often had to give way before a responsible manager; nevertheless they did contrive to impose upon this manager an adviser whose counsels had to be followed. Things changed after the introduction of the New Economic Policy in 1921, when it was declared that the main function of the Trades Unions must be the protection of the workers' interests. It was decided that the Unions should take no further part in the actual management of industrial undertakings, the function of management being reserved to officers specially appointed by the appropriate economic organ of the State.

Adopted by the Central Committee of the Russian Communist Party at the end of December, 1921, the essential point of the declaration setting out the duties of the Trades Unions was that in all matters of industrial management full powers were to be given to the respective managers. It was declared, however, that the Trades Unions should take an interest in economic organisation and propose candidates for the higher administrative positions, but the right of selection belonged entirely to the economic organisations which bore the whole responsibility for the organisation of industry. Thus the sphere of Trades Union action in the realm of responsible industrial management was steadily reduced. No mention was made of the Trades Unions either as regards the nomination of directors, which appears to have been reserved to

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the Supreme Economic Council, or as regards the management of the undertakings, in an official Order on the constitution of trusts published on April 10th, 1923. They were granted representation on auditing committees only, being allowed to appoint one member in three. In November, 1923, a joint circular was issued by the All Russian Central Council of Trades Unions and the Supreme Economic Council under which the Trades Unions would relinquish their share in the administration of the undertakings. The wording of the decision was as follows:

“The directing economic organisations (trusts, administrations, etc.) have full authority in all matters connected with the management of the undertakings entrusted to them. They are fully responsible for management, and cannot therefore give trade union intervention as an excuse for inadequate output in the industry. In these circumstances, it is inadmissible that the trade unions should interfere in any way with the management of the undertakings.”

Despite the great differences between Russian and British conditions, the resolution—though more aggressive—comes very near to the declaration of the British Labour Party Executive, quoted on page 195, which resists the proposal that the Trades Unions should have a statutory right of nomination in respect of a certain number of members of the Board of a Public Cor-

poration, for it goes on to define the consultative functions of the Unions:

- o "When appointing the managing bodies of trusts or separate undertakings, the economic organisations must invite the trade unions to submit candidates, and must give them the lists of their candidates; *although the final decision lies in the hands of the economic organisations*, nominations must be examined . . . in co-operation with the trade unions."

When dealing with the position of the Trades Unions in the drafting of the comprehensive programmes of the economic organisations, the declaration adopts an attitude which I imagine would not be unacceptable in principle to those in the Labour Party here who agree with my view:

"The trade unions must be represented on committees for drafting the programmes of the economic organisations . . . the designation of undertakings to form part of a trust . . . or to be leased . . . foreign business relations, the determination of branches of industry in which joint companies may be formed, the examination of conditions under which private capital may be admitted to Russian industry."

Melnitchansky, one of the most prominent of the Trades Union leaders in Russia, stated the position in the following words in an article in *Imprecorr* for October 7th, 1926:

"In the Union of Socialist Soviet Republics a sharp distinction is made between the functions of managing industry and the functions of organising and defending the interests of the workers and employees in industry. The former function is in the hands of the National Economic Authorities of the Trust and Industry Managements, and the latter functions in the hands of the workers' organisations and the trade unions."

The next declaration to note is that of September, 1929, by the Central Committee of the Communist Party—which, it must be remembered, is pretty well the Government in Russia—contained in an Order setting out principles for the management of State industry. There are emphasised the complete authority and responsibility of managers in State industrial undertakings. The Order declares that the manager of an undertaking is to be responsible entirely for the carrying out of the budget and production programmes. There is to be vested in him the exclusive right to engage the technical and administrative staff, and "when a worker is engaged, transferred, or dismissed, the decision of the manager may not be invalidated by the opposition of the Communist cell or the Trade Union."

Laying down the rights of workers' committees, the Order says:

"The trade union organisations, while defending the economic and cultural interests of

the workers, must collaborate energetically in increasing their output. The workers' committees must, in particular, assist in the drafting of production programmes and in the study of possible economies and methods of rationalisation. The workers' committees must also assist to the best of their ability in carrying out all measures calculated to increase production, as well as in the completion of programmes and observance of the provisions of the budget. They must not, in any case, interfere in the management, or place obstacles in its way."

Finally on September 7th, 1929, the official organ of the Supreme Economic Council declared that:

"The trade union and Communist organisations in industrial undertakings must help to support the principle of unity of command, while at the same time stimulating the initiative and enthusiasm of the workers by means of socialistic competition, conferences on production, etc."

Such is the story of the evolution of the Russian Soviet mind from the doctrine of workers' control in its crudest form—a form which, it is but fair to say, would not be urged by any responsible body of British Trades Union opinion, although (see p. 203) Mr. Harold Clay is close to it—to a position which broadly, though not in exact detail, corresponds to the general outlook of the

Labour Party's Policy Reports on Transport and Electricity. And it may be, of course, that the evolution of the Russian Communist mind has not yet stopped.

I have dealt with the Russian experience because it is important in itself and because some of my critics in the Labour Party (not the leaders of the Transport Workers' Union) who so often wrongly persuade themselves that they are on the Left, also find it difficult to believe that the Russian Communist Government can do any wrong. They will, I suspect, be a little surprised, and possibly disconcerted, to find that there is considerable sympathy of outlook on economic matters between the Russian Communist Government and the author of this book! My only doubt is whether I am not somewhat on the genuine Left of the Soviet Government in this matter.

I suggest it is better to look facts in the face now, and to profit by the valuable lessons to be gained from economic administration in Soviet Russia, rather than waste ten or twelve years in the—in our case needless—process of trial and error.

CHAPTER XIII

"Workers' Control": The Reality of the Matter

IN THE REVIEW OF THE EXPERIENCE OF SOVIET Russia we have got beyond the primary point under discussion, namely, whether the working-class people sitting on the Boards of Public Corporations should be appointed in the same way as other members on grounds of personal ability, or whether they should be nominated by Trades Unions in the industry as the representatives of an interest. The extracts from Russian sources which I have quoted relate not only to the supreme managerial directorate of an industry, but to all those phases of workers' control which have far greater significance in the daily life of the industrial workman.

I have expressed my desire that the administrative and operative workers of all grades shall have made available to them the whole story of the industry in which they are employed, and, indeed, that of economic life generally. I am anxious that the rank and file of industry shall personally desire to be well informed about industrial affairs in their widest aspects. The fact must be faced, however—as the T.U.C. General Council indicated in its 1932 Report—that the majority of workmen are, and are likely to re-

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main, more interested in the organisation, conditions, and life of their own immediate workshop than in those finer balances of financial, industrial, and commercial policy which are discussed in the Board room. These considerations have their effect on the daily life of the rank and file of workers employed in the undertaking; they will form the subject of keen discussion with the representatives of the Trades Unions, not only in the course of negotiations as to conditions of labour, but in the National Consultative Committee of the industry. Nevertheless, except in so far as they are dramatically brought home to him at a time of industrial dispute, the fact must be admitted that in practice the worker is to-day more concerned with the immediate surroundings of his industrial life. This again leads me to the conclusion that those who have concentrated on the statutory right of certain Trades Unions to nominate one or two members to the Boards of Public Corporations are starting at the wrong end. I am confident that after a few years' experience of a Trade Union delegate on the Board, the rank and file of the workers in the industry would regard his presence there as something of an irrelevance as compared with consultation as to the organisation of the department in which they worked; and that they may have ceased to look upon the Trade Union delegate on the Board as a person who could really represent their views and aspirations, or who had real and intimate contact with the daily industrial life of the workers in

the sense that the advocates of the statutory right of representation on the Board had led them to believe.

It is with his daily industrial life in the workshop that the average workman is most concerned, and it is in the workshop that we should begin the consideration of the application of the vague and almost unthought-out phrase, "workers' control." In these discussions we are driven to a good deal of speculation, for the field of experience is not extensive. Moreover, it is difficult not to be misunderstood, for already, as we have seen, Mr. Cliff was quick to criticise the General Council of the T.U.C. with another phrase—that of "Whitleyism"—when the General Council talked about workers' councils. Consultation and conciliation in capitalist workshops can be, and indeed have begun to be, instruments of anti-Trade Union activity on the part of the employers, and have prejudiced the objective consideration of one of the most important problems in industrial organisation.

It looks as if the Soviet has come to lay down two principles: first, that industrial management must be the definite responsibility of persons appointed by the economic organs of the State, the rights and responsibilities of management being insisted upon, not so much as a favour to the managers and as a limitation of the rights of Trades Unions, as for the purpose of preventing the managers evading their responsibilities when criticisms have to be met and mistakes have to be answered

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for; secondly, that the rank and file workers in the shop in association with the Trade Union organisations have a right to consultation as to the lay-out and organisation of industrial work in so far as it has a bearing on the life of the workers, and as to those welfare and social activities which have been developed in socialised industries in Russia, which are also a feature of certain capitalist undertakings in other parts of the world, including Great Britain. The key-note as to the rights of industrial labour in Russia, however, has come to be consultation rather than direct executive power. I am inclined to think that in its reaction from the stupidities and crudities of the earlier forms of workers’ control, the Soviet Government has had to swing back farther than is desirable. I should hope that after fifteen years of a definite socialisation policy in Great Britain, we should have got farther in the progressive application of all that is sensible in what is known as workers’ control than has the Communist Government of Russia. I think we shall be able to apply the principle more generously and in a shorter time by a policy of steady expansion in stages as experience warrants, rather than by crudely applying theoretical slogans without practical considerations having been taken fully into account. Within reason, chances and risks must be taken, possibly for defined experimental periods, but I suggest that nothing is lost if we keep in mind the Socialist principle that the purpose of Socialism is the social good

of all, and not only economic advantage for the workpeople employed in a particular industry; and secondly, that the principle of workers' control should only be applied up to the point that the workers are reasonably fitted and equipped wholly or partially to discharge the functions of control. Let who will win the plaudits of the militants by declaring that the workers are fit for anything. That was what the Russian Bolsheviks did in 1917, but they ended up with the decrees of the Communist Party repudiating practically the whole doctrine of workers' control as popularly understood. That kind of demagoguery does not appeal to the best minds of British Trades Unionism; nor would the masses of industrial labour wish this kind of deception to be served up to them.

In all the circumstances, one would be foolish to attempt to lay down any definite scheme; rather must I indicate principles. What the enlightened workman is in revolt against is wage slavery and industrial serfdom. And he is right. His labour power is bought when it suits the capitalist to buy it and (with creditable exceptions) dispensed with like a worn-out overcoat when the workman becomes old or otherwise ineffective, or like a motor car when bad times come and it is necessary to cut down expenses. Under capitalism the labour power of the workman is a commodity just as coal and sugar and iron and steel are commodities. Moreover, it is an axiom of capitalism that the workman must

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be kept in his place. I do not merely mean that he is not allowed to be saucy, for nobody should be saucy in an offensive way; I mean that he is encouraged to feel that he had better not know too much; that his proper course is to know his job, do his job, and give satisfaction within the direct limitations of his allotted task; and that he should regard the higher problems of industrial management, commercial policy and financial administration as subjects which are reserved to the men at the top and in which he should be careful not to interest himself. This self-status of labour is in many ways much more a spiritual and intellectual injury than a material one.

§ *Measurement and Publicity*

I lay down as my first broad axiom for socialised industry that doctrine of measurement and publicity urged by Mr. and Mrs. Sidney Webb in their *Constitution for the Socialist Commonwealth of Great Britain*. Within proper limits it may be necessary for us to concede that the public interest requires privacy in a certain restricted field, particularly in the transition period, when capitalist interests which have so far survived may desire to make trouble. But the principle which socialised industry should aim at applying is that the nation, which is the proprietor of the undertaking, has the right to the maximum possible knowledge about the undertaking. For economic science—a very different thing under Socialism

from much of the twisted stuff served up under that name to capitalist society—in order to render the fullest public service, must be well equipped with the actual facts of industrial production. Standards of industrial measurement—output, costs, definition of units, and so on—must be worked out and agreed so that they may tend to become as indisputable as the standard yard measure and the standard pound weight stored away in the wall of the House of Commons staircase. The nation will demand this knowledge and will certainly insist upon it in a Socialist society. It will be essential to the work of the economic organs of the State and to the formation of intelligent public judgment. The industrial worker has every right to the facts of industrial production and financial policy, particularly in the industries with which he is connected. It is true that he will thereby secure early information as to economic progress which may give him a *prima facie* case for a demand for improved working conditions. This is no doubt one of the reasons why capitalism surrounds him with the greatest possible measure of darkness in these matters, except in times of difficulty. But in the classless society of Socialism the workman will have a greater social conscience than is possible under capitalism. And, moreover, the consumer will be similarly equipped with economic facts. Argument will ensue as to whether and in what measure the improved economic position shall advantage productive labour or the consumer, or

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whether it shall be used for capital development or the improvement of public amenities. It will be much easier to resolve these disputations if the management of industry is social rather than sectional.

But publicity and measurement cut the other way as well; the facts may prove conclusively that improved working conditions are impracticable, or even that concessions previously granted must, for the time being, be withdrawn. Let us have the facts; let them be prepared and tabulated in ways that win the confidence of all as to their bona fides; and then these indisputable facts will of themselves settle many disputes which, under conditions of secrecy and half-truth, would involve grave economic, political, and social disputation, and even dislocation.

§ *Industrial Education*

My second fundamental essential of industrial policy in relation to the matter we are discussing is the preparation of plans whereby industrial and technical education appropriate to the circumstances is made available to all workers in the industry who desire to avail themselves of it. In its early stages it might have to be simple, elementary, and inexpensive, but from the point of view of the well-being of the industry itself and the desirability of increasing the field of recruitment from which the technicians and industrial managers of the future are to be drawn, it

would be sound industrial policy, although care may have to be exercised not to produce such an excess of fully qualified technicians who cannot be absorbed as will involve men feeling that their training is wasted. An enlightened workman under capitalism—let alone the free “economic” citizen of a Socialist Commonwealth—should not be bamboozled into a state of happy ignorance by the mystery-men who want the policy and doings at the “top” to be regarded as something like a priestly cult.

Anti-Socialists who regard ignorance for the working-class as bliss, may object that all this business of education and knowledge, and of measurement and publicity being available to all will make the workman “too big for his shoes.” I think they are wrong. The workman who is too big for his shoes will be knocked over the head by the many other workmen who know as much as he does. The discussions between the operative workers and those holding administrative or directive posts in the undertaking, as to the application of the indisputable facts which emerge from the policy of measurement and publicity, will tend to be on a friendly basis as between men and women having a mutual regard for their respective functions and responsibilities. And after all, as often as not, the trouble with the workman to-day who is too big for his shoes and who succeeds in being annoying rather than illuminating, is that he has happened to drop on some of the facts, and that his mind is unbalanced

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because he has not got at his service the whole body of the facts. I conclude, therefore, that the whole capitalist doctrine (happily, already modified in some private firms) of trade secrets, masters’ secrets, and accountancy secrets, must be blown sky-high, and that measurement, publicity, and education must take its place.

§ *Workshop Organisation*

This done, we shall be evolving a new and better type of industrial worker, just as we shall be evolving a new and better type of management. It will, I suggest, become thereby not only possible, but desirable, for the workman in the shop and in the other units of industrial organisation to be brought increasingly into effective consultation by the management as to the organisation of that part of industrial production with which he is concerned in his daily life, and as to those welfare amenities which will be a developing characteristic of socialised industry. With the growth in the general social conscience, and with the spread of capacity and a sense of social responsibility, it will, I conceive, become the practice partially to delegate to the foremen and workmen of the shops (subject to managerial approval) the preparation of the method which is most effective and convenient to them to achieve that quantum of production which is expected from them. All this should be encouraged, not so much as a condescension to the

worker, but as a policy for the industrial advantage of the community. The workman in the shop is at times the first to see an imperfection of management. Under capitalism he is often afraid to tell his employer in case he is told to mind his own business, or it may be against his interest so to tell lest the security of his job and that of his fellows is imperilled. Under Socialism, however, these considerations go by the board because the relationship between the workmen and the administration will be one of partnership and mutual self-respect. The workmen in common with the rest of the community will share in the economies of management and administration, for the means of producing wealth will no longer be the monopoly of the capitalists and the landlords and used for their profit, but will be the collective possession of the nation and used for the common good.

Suitably adapted, similar principles could be operated in respect of sections of the administrative staff. In some cases, however, the clerical and administrative workers may, as a matter of practice, be interlocked with the operative workmen and be provided for in this respect through the shop or departmental organisation.

It may well be possible also to evolve consultative machinery between the management and the workers of the industry as a whole by means of periodical conferences of the management and the shop stewards or delegates representing the various operative and administrative grades, provided the responsibilities of the Trades Unions and their officers are safeguarded. Such

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a gathering would have excluded from its consideration matters within the purview of the shop or departmental organisation, except in so far as issues involving principles of substance were collectively referred to the conference of the industry as a whole. The conference of the industry should have a definite agenda sent out in advance, accompanied by relevant information and memoranda, and the workmen's side should have every opportunity of setting down competent questions for discussion. The conference would be consultative and informative and not executive. Where there was full agreement on changes desired, those changes would be operated on the order of the Board. It would not be desirable, however, for the responsibilities of the management to be weakened in ways which would provide it with excuses for incompetence, mistakes, or failures. The conference should not be a meeting of masters and men with “authority” sitting one side of the table and the “wage slaves” on the other; it should be a free consultative conference of the workers by hand and by brain, including at times the Board for the industry, discussing for the good of the industry the common problems with which all are concerned.

Whatever machinery be devised, it should be as simple as possible and calculated not to interfere with the effective running of the undertaking. We shall have to beware of the men who think that machinery and meetings do things of themselves, and we must remember at all times that

industries cannot be run by committees, meetings, and prolonged argument, but that they must be managed and run by men of all grades with individual responsibilities which cannot await the convening of a meeting and the conduct of lengthy arguments and negotiations. All such meetings should therefore be business-like and not needlessly frequent. Above all, the responsibility of the national Trade Union organisations for the negotiation and settlement with the Board of wages, hours, and conditions of labour must be fully safeguarded. The workman in the shop may be much more fitted than a Trade Union official on the Board or otherwise to exercise that sphere of workers' control which concerns the social life of the workshop, the lay-out and methods of the workshop, and the welfare activities; but he is not better fitted than the Trade Union official concerned with the well-being of the workpeople in the whole undertaking and in other industrial undertakings to negotiate on those essential questions of wages, hours, and conditions, which properly pertain to Trade Union organisation as such. Even in the narrower workshop matters, moreover, the Trade Union official must have the right of consultation.

§ The Unions and the Public Corporation

This brings us to the relationship of the Public Corporation to the Trades Unions.

It is highly desirable that the technical, adminis-

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trative, and operative grades of all industrial undertakings shall be fully organised in Trades Unions or recognised professional associations. Such responsible organisation conduces as a whole to the smooth passage of negotiations of working conditions by able and public-spirited men on both sides, and to the elimination of individual approaches to the Board or the management for personal favours or concessions. The Board would therefore be expected to recognise existing Trade Union agreements, to recognise the Trades Unions and the principle of collective bargaining, and to encourage Trade Union organisation among the workpeople. I say encourage Trade Union organisation rather than compel, for I am not in love with employers compelling Trade Union membership and am certainly strongly opposed to their preventing Trade Union membership. At some point the element of compulsion may come from the workpeople themselves objecting to working side by side with a non-unionist; for the sake of industrial peace—as happens in capitalist undertakings now—the Board may, where almost complete Trade Union organisation exists, in practice recognise the principle of Trade Union labour only. That is a very different matter from the employers’ setting out to organise large numbers of unorganised men in Trades Unions, a procedure which might be very damaging to the *morale* and spirit of the Trades Union Movement itself, and end in the establishment of a mere “cardboard” membership.

If desired by the Trades Unions representative of the workpeople, statutory conciliation machinery might be embodied in the Act or other instrument creating the Public Corporation. In the case of socialised industries there is much to be said for the legislative encouragement of discussion and negotiation prior to possible stoppages, the principle of measurement and publicity being properly applied. Strikes and lock-outs in socialised industries are not a pleasing prospect. In the London Passenger Transport Bill, machinery on the lines of the Railway National Wages Board was provided for the railway grades at the request of the Railway Unions, but at the request of the Transport and General Workers' Union it was not done in the case of the grades covered by that Union. The Transport Workers' Union, it should be remembered, however, is a party to considerable conciliation machinery through the National J.I.C. for the Tramways Industry and, as regards the London busmen, with the L.G.O.C. In appropriate form this machinery will continue. As the sphere of socialisation extends I imagine it will become increasingly common to provide machinery for this purpose. It may be at some time in the future when socialisation has far advanced, that the rights of labour will be so well recognised that the workers themselves will feel confident of a fair deal and the direct weapon of the strike may go out of use. I am certainly clear, however, that any immediate policy of socialisation must not

deny the right of the workpeople to strike. The Trades Unions will, of course, concede that this involves certain corresponding rights on the part of the Public Corporation.

It will be remembered that the persons employed by the Public Corporation are not to be civil servants. A strike against a Public Corporation must be so regarded and not as a strike against the State. As things are, the weapons and the risks of industrial warfare are a factor present in the minds of both sides in the course of collective bargaining. To the present, at any rate, the Trades Union Congress would not be willing to forego the weapon of the strike in the case of socialised industries. Let it not be thought that the T.U.C. or myself are in love either with strikes or lockouts. They are a painful business, frequently involving much suffering and anxiety; the Trades Union officials certainly get their share of the worry. But until we reach the time when democracy is the master of our economic resources and through its representatives can determine their organisation and disposal, we shall be living to a greater or lesser extent in a class society; and so long as economic classes exist, the industrial workers must not be denied the collective right to refuse to sell their labour power on conditions which they regard as inequitable. We must not expect the virtuous exercise of the highest attributes of the brotherhood of man in an economic system which, as a whole, is based upon the monopoly by the rich

of the means of producing and distributing wealth.

However, the abler the people appointed to the Boards of Public Corporations and the leaders in the Trades Union Movement, the better the organisation of the workpeople, the greater the pursuit of the principle of measurement and publicity, and the keener the sense of justice on both sides, the less likely are we to experience the bitterness and sufferings of industrial war. The workpeople have suffered much from incompetence at the top of capitalist undertakings. This is one of the reasons why I am so keen that the principle of appointing on grounds of ability shall obtain in the constitution of the Boards of Public Corporations. It is recognised to-day, and it will be still more recognised as the principle of measurement and publicity obtains in socialised industries, that among the essential qualifications of Trades Union leaders shall be, not only the ability to organise workers and to be generals in industrial battle, but no less the constant study of economics and business organisation, and something approaching expertness in the organisation and in the higher policies and finance of the industries with which their Unions are concerned. A corresponding development in the understanding of the workers' point of view will be required from those discharging managerial functions.

The relationship between the responsible Trade Union officials and the members and chief

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officers of the Board should be one of social equality and mutual self-respect, based upon a desire to secure the well-being of the industry, including the workpeople employed in it, so that it may render good service for public ends.

§ *Labour on the Consultative Committee*

Finally—although I am only too conscious of the fact that I have not covered all the ground, and that the ground I have covered has been covered imperfectly—the workers in the industry are also, it will be remembered, to be represented on the National Consultative Committee which, in the concrete case of the London Passenger Transport Bill, will be the London and Home Counties Traffic Advisory Committee. The representatives of labour in the industry at the meetings of the Consultative Committee will have the fullest right to information, to bring forward their complaints and suggestions in the public interest, to seek explanations from the Board, and to take part in all the discussions. They will be there to put the view of the workpeople when the representatives of the users of the service or the consumers are pressing the Board to reduce wages costs. At the National Consultative Committee, of course, they will not deal with those matters which are appropriate to the machinery of collective bargaining which will exist between the Board and the Trades Unions. They will be

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present at the National Consultative Committee with a wider public responsibility, and will bring to the discussions of the interests there foregathered a valuable element of knowledge and experience.

CHAPTER XIV

The Finance of Socialisation

FROM EARLY DAYS, SOCIALISTS AND ANTI-Socialists have from time to time conducted discussions on the issue of compensation or confiscation in respect of expropriated capitalist undertakings. There has been a good deal of the academic about these discussions. Attempts have been made on the Socialist and the capitalist side to resolve the issue into one of moral or ethical principle.

The capitalists and the landlords should not become too moral or ethical on the subject. A considerable proportion of British land was divorced from the common use of the people by physical or legislative force. There is a well-known story to the effect that a landed aristocrat and an agricultural labourer were having an argument as to the rights of property. The labourer asked the aristocrat how he had got his land anyway, to which the aristocrat replied, swelling his chest with pride, "My ancestors fought for it!" Whereupon the labourer took off his coat, saying: "Right, come on, I'll fight *you* for it." But times had changed and the landowner sent for the police.

The development of manufacture and machine production for the cotton industry in Lancashire led to the virtual confiscation of the livelihood of the hand-loom weavers, but the only form of compensation available to them was the harsh poor law and a pauper status. That form of confiscation of capital which arises from reckless competition between capitalists is defended by the *bourgeois* economists. So when the landlords and capitalists try to reduce the issue to one of morals and ethics, I remember history and smile. I smile also when the Communists denounce the Labour Party's acceptance of the principle of compensation as un-Socialist immorality, for I remember that Mr. Trotsky held that the question was one of expediency rather than of morals.¹

§ *Some Aspects of Compensation*

In framing the original compensation provisions of the London Passenger Transport Bill, and in the negotiations with the proprietors of the undertakings which it was the purpose of the Bill to socialise, I had the following considerations in mind: that the Labour Party and public opinion generally favoured the policy of compensation for dispossession; that both the owners of the undertakings which were to be taken over and the public which was to take them over were

¹ See *Where is Britain Going?* by L. Trotsky (1926), pp. 171 and 172.

entitled to a fair deal; and that the balance of power in Parliament, coupled with the vexatious Private Bill procedure which the Bill must go through at the first Committee Stage, made it desirable for me to arrive at voluntary agreements with the proprietors, provided I did not go beyond what was reasonable in such circumstances. The agreements covering a large proportion of the capital of the undertakings to be taken over were not bad agreements in the circumstances of the time; I might have done much worse by risking what came out of the Joint Select Committee or arbitration proceedings. On the other hand, the more far-sighted of the proprietors could see, as I sometimes reminded them, that if they succeeded in destroying my Bill, they might do much worse by waiting until we came back again with a Labour majority, instead of a minority, behind us. In the case of the Underground Group of Companies I think it is fair to say that they foresaw that if they secured swollen capitalisations in respect of their undertakings they would only succeed, eventually, in obtaining a small return upon that capitalisation. As will be seen, there was no State guarantee and the stockholders could not get out of the Board what it did not earn. The Underground wisely preferred security to over-capitalisation.

Apart from the fact that public opinion, including working-class opinion, so far favours compensation, it is unjust that one body of

capitalists should have their property confiscated because they happen to come first in the process of socialisation, whilst other bodies of capitalists should be left in possession of their property because their turn has not yet arrived. If a policy of confiscation were to be adopted, social equity, practicability and expediency would, I think, demand that the confiscation should be substantially national, universal, and simultaneous. That pre-supposes a British revolutionary situation which, to say the least of it, is unlikely; and certainly I see no prospect of any party winning a majority on such a programme. Moreover, desiring to avoid economic chaos and industrial dislocation, the Labour Party will wish to keep the wheels of industry running before, during, and after the process of socialisation, and to retain in the service of socialised industry the managers and technicians of ability who have served the industry under capitalist conditions, provided they are willing to be loyal to the new order of things. If that course proves to be practicable—and it is capitalist rather than Labour Party influences which can more easily make it impracticable—it has the advantage from our point of view that the process of socialisation can be more rapid, steady, and successful, and from the capitalist point of view that it will be more considerate and constructive than if we drifted into a revolutionary “bust-up,” simultaneous confiscation, and grave temporary economic and financial dislocation, if not dissolution.

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Living on unearned income is economically and morally indefensible in the abstract. The persons so living are living upon the labours of others. They are the most impudent type of pauper, for they are enjoying social prestige, riches and security at the expense of the poverty and insecurity of productive labour of hand and brain.

Let me make it perfectly clear that rent, interest, and profit for private advantage will have to go in a fully socialised community. All this economic parasitism is just as objectionable to me as it is to the Communist officials who have been parasitically living on salaries from Moscow for as many years as the Russians were and are foolish enough to pay. But if a Socialist Government of the future wishes to deal with the problem, as I am sure it will, it must deal with it by means of death duties (which strictly should be used for capital rather than revenue purposes), or inheritance tax, or by a comprehensive adjustment of accounts in a substantially socialised society. It cannot expect to solve the general problem of rent, interest, and profit at the point of the socialisation of individual industries, and it would not be fair for it to make the attempt. In any case, the idle rich (the rich unemployed) together with the unemployed who are poor cannot be left destitute; only when a Socialist society is well on the way shall we be able to offer them self-respecting employment. But these wider problems of Socialist finance do not belong to this book.

Compensation was also provided for workers displaced as a consequence of the passing of the Bill; material displacements were not anticipated. The terms were agreed with the Trades Unions and they constituted, I think, the best compensation provisions yet granted.

We start therefore upon the basis that there is to be compensation; the questions which are set out on the agenda paper under this heading are, I suppose, how much, and in what form?

It would, I think, be unwise to lay down a hard and fast formula as to the extent of compensation for application to all classes of industry, circumstances, and time. If I indicate a basis of compensation which I think is generally appropriate to-day, I wish it to be clearly understood that I do not regard myself as being bound by it in any particular case.

§ *Earning Capacity*

In assessing the value of shares, the stock market is not so much interested in the actual capital expenditure of the undertaking as it is in its earning capacity. If capital expenditure has been excessive or wasteful, that is a factor which is present in the mind of the stock market because it affects dividend. So is the abnormally high productivity of given blocks of capital. I suggest, therefore, that the first thing to determine is the actual net revenue (after all proper charges, including depreciation, etc. have been met) rather than capital expenditure or the value of the physical

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assets of the undertaking. For capital expenditure may have been unproductive and wasteful in character; and the ascertainment of the value of the physical assets of a big undertaking is a complex task, possibly involving lengthy arbitration proceedings—and the history of arbitration in these matters is not very encouraging from the point of view of the public interest.

Take the case of the four amalgamated railway companies if they were being considered for socialisation. (And I should be indisposed to consider them apart from road transport.) During the period of vigorous railway construction in the nineteenth century, the railway companies were involved in considerable unproductive capital expenditure in the following respects: acquisition of land, the land-owners coercing the companies into the payment of excessive prices; legal and Parliamentary promotion expenses, together with expenditure in getting rival schemes out of the way; the duplication of permanent way, stations, etc., as the result of competition between the railway companies. These three items are not the whole story, but they are enough to indicate that a considerable amount of railway capital was and is unproductive. The railway companies may quite probably contend that in the matter of much of the unproductive capital expenditure they were the victims of circumstances and that it was not their fault. That may be so, but it was not our fault either; in any case, it was one of the anti-social consequences of

that competitive capitalism in which the railway companies believed. They have no right to ask the community to penalise itself financially because they are the victims of their own system. The railway companies must not complain if we adopt the standard of measurement employed by the stock market, namely, earning capacity. The market is very quick in writing down the value of a nominal £100 of railway stock to £70, £60, £50, £40, or whatever figure will produce a rate of interest which the investor regards as reasonable. Similarly, if I were proposing to acquire the railway companies for the State, I should have to tell them that I was not interested in their capital expenditure but, like the capitalist stock market, in what the undertaking earned.

The second aspect for consideration is whether the existing net revenue or earning capacity is maintainable. Neither the Stock Exchange, with the interest of the investors at heart, nor a Minister with the public interest at heart, would knowingly relate to-day's earning capacity to capital value if there was reason to believe that in the future the net revenue was likely to fall permanently, for both the private and the public purchaser must have a proper regard to future value.

I am bound to admit, on the other hand, that the stock market would estimate a capital value in excess of that related to to-day's net revenue if there was reason to believe that in the near future the net revenue would materially rise.

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In assessing compensation in the case of public purchase, a Government might feel it right to make some concessions in this regard, but only to the extent that it legitimately affected share values at the time; indeed this factor might well be reduced to the measure of unfructified capital which existed and was likely to fructify within a reasonable time. It would be very dangerous to concede too much under this head; otherwise the purchasing authority might well be involved in an illegitimate gamble in "futures." A factor of maintainability to be borne in mind is the efficiency of the capitalist management and the probability or otherwise of considerable capital expenditure being required in order to put the undertaking into an efficient state. There is another aspect of maintainability which must be considered, namely, the case of undertakings which are making unreasonably high profits, which it is reasonable to suppose would not be maintainable, either because of potential competition or because of the probability that the State, even under a system of private ownership, would in the future restrict such profits in order to protect the consumer or the user of the service.

§ Profits: Reasonable and Unreasonable

This consideration is somewhat associated with my next qualification of net revenue, namely, that the profits should be reasonable. The word "reasonable" has certain ethical

aspects, and ethics are at times a complication in these business matters. But the practical definition of the term "reasonable" will present no insuperable difficulties to a Socialist Government with a majority of the people behind it. Among the factors which would assist us in determining what was a reasonable rate of profit, would be the general view of informed, enlightened, and public-spirited opinion at the time; the rate at which public authorities, including the Government, could themselves borrow; and the rate of profit of well-conducted public utility undertakings privately owned. I will give two instances of what I have in mind.

Sir William McIntock in evidence before the Joint Select Committee on the London Passenger Transport Bill (May 20th, 1931, p. 251¹) stated the profits of certain of the London independent omnibus proprietors during 1928, 1929, and 1930 to have ranged between 25.85% and 64.72% per annum on the capital employed.

The view I took was that those profits were neither reasonable nor maintainable. Without any precise definition of what is meant by reasonable, I suggest that on the face of it such profits are quite unreasonable in the case of omnibus undertakings, especially when we remember that they were substantially protected from competition

¹ This evidence was given by order of the Committee and under pressure from Counsel appearing in opposition to the Bill. Messrs. Tillings disputed the figures so far as they were concerned, but I do not think that Sir William McIntock's figures were materially upset.

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owing to the regulation of London omnibus services under the London Traffic Act, 1924. Moreover, that Act provided that the Minister of Transport could, in certain circumstances, reduce the fares of the omnibus undertakings; an operation which would, by the way, have its complications owing to the fact that the London General Omnibus Company, through the "Common Fund" of the Combine, subsidises the tubes, and that there would be financial difficulties for the tubes if that subsidy were withdrawn. But even if there were no statutory provision enabling the Minister to bring the profits down, it is reasonable to suppose that, sooner or later, public authority of some sort would intervene successfully to stop such exploitation of the travelling public. These considerations must be reflected in the rate of profits on which the purchase price is based, or alternatively, in the number of years' purchase applied to those profits.¹

The second instance is that of an electricity company declaring dividends of, say, between ten and twenty per cent., or, whilst declaring a lower

¹ Repeated efforts have been made to relate the settlement effected with the Underground Group of Companies in 1931 to a number of years' purchase. This was not the basis of settlement. The Attorney-General (Sir T. Inskip) was right when he said in the House of Commons on February 14th, 1933:

"We may not have been able to give an answer to the question, which was put in Committee and has been repeated to-day, as to how many years' purchase have been given to a particular operator, but that is not because we have kept back the information, but because it is impossible to give an answer to the question, since the calculations have not proceeded on that basis."

dividend, distributing bonus shares to its shareholders in order that the dividend may appear to be lower, and justifying the nominal capital expansion on the ground that it was warranted by the real earning capacity of the undertaking. The practice of issuing bonus shares is, in my judgment, often a tricky practice and dishonest to the consumer. Whichever way the high profits are distributed, however, an electricity company making them is not being properly conducted. Profits should have been limited by reducing charges to the consumers, or if profits were made in excess of a reasonable limit, such excess should have been left in the business and used in ways benefiting the consumers without the obligation to earn dividends or interest for new capital; but Companies making such profits are often far from being models as regards efficient service; they are frequently the type of undertaking which does not bother about expanding its mains over the whole of its area so as to make electricity available to all; they have a habit of demanding that the consumer shall pay high prices for current, or give stiff undertakings as to the minimum consumption or payment over a period of years; they tend to be backward in the policy of "free" initial installations to consumers; and their tariffs tend to be out of date in structure and harsh in their incidence. I suggest that an electricity company pursuing such a selfish policy ought not to be rewarded for its selfishness, for it is exploiting the consumer and checking the

development of one of our great industries. But it would not be allowed indefinitely to continue this practice, for sooner or later legislation will be passed, even under private ownership, to give adequate powers to the Minister of Transport to control tariffs, etc. It has also to be remembered that existing or potential competition from the gas industry, or from oil, is likely to enforce upon such undertakings a reconsideration of their policy.

§ *Net Maintainable Reasonable Revenue*

The formula to which these considerations bring us is that of *net maintainable reasonable revenue*, which was the formula I sought, unsuccessfully, to get through the Joint Select Committee of Lords and Commons on the London Passenger Transport Bill; tending perhaps to regard the generous recognition of the rights of property as being the only sound basis of a proper public policy, that Committee preferred to direct the arbitration tribunal, in determining the consideration to be paid, to "have regard to all the circumstances of the case, and shall, subject to the provisions of this section, determine the value of such undertaking or part of an undertaking, and award a consideration which in their opinion is equivalent to such value."¹ And there they left it.

The precise meaning of these words by themselves would not be apparent until the arbitration

¹ See Clause 14 (1) of the Bill as amended in the Joint Select Committee.

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tribunal had done its work; it would clearly be dependent to a great extent on the personal opinions of the members of the arbitration tribunal, for no real guiding principles are indicated. I will not say that the provisions in the Bill as introduced were perfect from the Socialist or any other point of view, but here is Clause 11 of the Bill as introduced, sub-section (2) applying Section 13 of the London Traffic Act, 1924, together with Section 92 of the Road Traffic Act, 1930, which provided that the advantages conferred on the undertakings by being protected from competition by those Acts, should not be a factor in compensation if and when they were purchased by a local or public authority:—

“ 11. (1) The arbitration tribunal in valuing any undertaking, or any part of an undertaking, with a view to deciding any application for the confirmation of an agreement as to the consideration to be paid for the transfer thereof to the Board by this Act or with a view to determining that consideration—

(a) shall in the case of an undertaking, or part of an undertaking, not being a local authority's undertaking, have regard in particular to:

(i) the average net profits earned by the undertaking or the part of the undertaking, as the case may be, for the three financial years last preceding the

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date of the passing of this Act, after meeting all proper charges, including adequate provision for the replacement or renewal of all assets subject to depreciation or obsolescence; and

- (ii) the probability, taking into consideration all the circumstances of the case and the nature of the undertaking, that those profits would have continued to be earned by the undertaking or the part of the undertaking, as the case may be, if this Act had not passed:
 - (iii) the amount of any direct pecuniary loss arising to the undertakers by reason of any liability or obligation attaching to them in connection with the part of an undertaking being a liability or obligation which was reasonably assumed before the appointed day by the undertakers in the ordinary course of their business as such, and which the Board, on being required so to do by the undertakers, refused to take over:
- (b) shall not, in the case of an undertaking, or part of an undertaking, not being a local authority's undertaking, take into account so much of the value of the undertaking as is attributable to the possibility or probability of the undertaking being amalgamated with or purchased by or being

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made the subject of an arrangement with some other undertaking working in whole or in part within the London traffic area:

- (c) shall, in the case of a company which has executed works in respect of which grants have been approved by the Treasury under section two of the Development (Loan Guarantees and Grants) Act, 1929, secure that the position of the company shall neither be improved nor impaired by reason of the execution of the works, or of the issue of any debenture stock in respect thereof, or of any grant made or to be made under the said Act:
- (d) shall, in the case of a local authority's undertaking, proceed on the basis of the provisions of sub-section (2) of section six of this Act:¹
- (e) shall in no case make any allowance on account of the compulsory nature of the transfer.

“(2) Nothing in this section shall be taken to prejudice the operation of section thirteen of the London Traffic Act, 1924, or section ninety-two of the Road Traffic Act, 1930.”

With regard to the sub-section (2) just quoted, it may well be the case that its omission by the Joint Select Committee will not prevent the

¹ Broadly speaking, it was proposed to take over the local authority undertakings on the basis of net outstanding debt.

operation of the statutory provisions to which it refers; but I desired the sub-section to remain.

Three other points remain, namely, that possible future advantages from the amalgamation of the undertakings should not be taken into account, for such advantages would not have accrued at the time of socialisation; that no allowance should be made in respect of the economies which become possible to the new public undertaking owing to the consolidation, unification, and elimination of competition brought about by socialisation, for these economic advantages should clearly go to the public and not to the former capitalist proprietors; and that no allowance should be made on account of the compulsory nature of the purchase.

In settling the compensation factors which I considered to be appropriate, I endeavoured to be fair to the capitalist proprietors in so far as they were efficient, public spirited, and pursuing a reasonable policy as to profits. I also endeavoured to protect the public interest at all points against exploitation. But, as one who has had the experience of framing a Bill and conducting negotiations for the socialisation of a substantial industry composed of a considerable number and variety of complex undertakings, I confess that it is profoundly difficult to be quite sure that the clause laying down the rules to be applied by the arbitration tribunal in determining compensation is water-tight from the point of view of the public interest. I was always appre-

hensive as to what the lawyers, the expert witnesses, and the members of the arbitration tribunal itself would make of the clause during the arbitration proceedings. There would be bright brains arguing before the arbitration tribunal, and some of the members of arbitration tribunals in the past have had somewhat slow-moving brains where the public interest was concerned. Up to the present, however, public opinion has favoured arbitration in cases where voluntary agreement was not possible, and until public opinion is willing to be more stern, though still fair, with private interests, we must recognise that arbitration has its risks and is expensive; which reminds me that there should not be an unrestricted, if any, right of charging the expenses of the parties before the arbitration tribunal to the new public undertaking, except, of course, in the case of the expenses of the Public Corporation itself.

I would much prefer that the actual sums to be paid in compensation on a concrete basis of compensation should be set out in the statute or other instrument which effected the socialisation. This would mean that whilst Ministers could negotiate and argue with the interests as to the amount of compensation, they and Parliament would have the last word, which would be a very healthy factor conducing to voluntary agreements. This is not so novel a proceeding as it may sound on the face of it. The London County Council registered a voluntary agreement with its staff in December, 1931, as to reductions in salaries as a

contribution of the staff to the rectification of the national financial crisis. The so-called negotiations leading up to the "voluntary" offers of the staff were greatly facilitated by the knowledge on its part that the Council could enforce either reduction or dismissal. Parliament determines the amount of compensation to be paid to wage earners for loss of wages during periods of unemployment in the form of unemployment benefit, or in the case of the Poor Law, the Public Assistance authorities in the form of scales of relief. The railway companies strongly objected to the principle of compensation at all in the case of workers displaced under the pooling schemes between the railway companies. The capitalist mind has had fairly strict standards in the matter of compensation for the working classes, even in the case of compensation for industrial accidents under the Workmen's Compensation Acts (long resisted by employers!). Conservative-minded capitalists can hardly, therefore, object if I, who am not an unkindly person, desire to enforce reasonably strict safeguards for the public interest when we are compensating private undertakings about to be socialised.

§ *The Form of Compensation*

With regard to the form of compensation, there are, broadly, three methods which can be followed, namely, cash, redeemable State guaranteed Bonds or redeemable stock (with-

out voting rights) in the new Public Corporation. Largely, this is a matter of expediency in the application of public financial policy. It is of course possible to apply more than one method, as was done in the case of the London Passenger Transport Bill. That Bill, whilst proceeding in general on the basis of compensation by the issue of redeemable London Passenger Transport stock (without voting rights), conceded the possibility of the small independent omnibus proprietors being bought out in cash by the London Passenger Transport Board.

For the purpose of the present discussion, and having recognised the possibility of more than one method being applied to meet particular circumstances, we must simplify the issue by ignoring these minor considerations. Compensation by cash payment all round on the assumption that the new Public Corporation was to find the cash, would mean the raising of a considerable loan, or the sale of a large amount of stock at the beginning of its career. This would be inconvenient, probably expensive, and in all likelihood impossible. The new Public Corporation would probably have been established after a fair amount of political controversy; in any case, there might be some uncertainty in the mind of the investing public in the early days of its life. The floating of a loan or the issue of stock at this stage would in all probability be a delicate and speculative operation, resulting in having to give investors better terms than the intrinsic merits of the loan

or stock issue warranted. To that extent the financial well-being of the undertaking would be damaged. It would mean that the capitalist proprietors of the old undertakings who had only possessed stock would now possess hard cash, and that the new investors would hold stock issued under conditions which needlessly increased the ordinary risks of successful flotation. In particular circumstances it might conceivably be an appropriate method to follow, but as a general rule it seems to me to be unwise.

The floating of a loan by the State in order to compensate the ex-proprietors in cash could be justified if the capital sum of the compensation was materially reduced thereby, thus enabling substantial savings to be made in the provision for sinking fund and interest payments by the Public Corporation. Such operations, however, must be considered according to the view the State takes at the time of the expediency or otherwise of increasing its financial indebtedness. This last consideration would also have to be taken into account in the case of the State compensating the former proprietors by issuing to them redeemable State bonds carrying a fixed rate of interest guaranteed by the State. This method, however, although it might reduce the actual or potential speculative income of the former capitalist proprietors, would give them the advantage of a State guarantee of principal and interest as against the risks inherent in the ordinary forms of investment; if the industry concerned fell upon

bad times owing to depression in world trade or other circumstances, and was not in fact earning sufficient to meet the sinking fund and interest charges, the State would be involved in what would amount to a subsidy.

Again, this expedient might be justified by the circumstances of a particular case, but I am not an enthusiastic supporter of the conversion of speculative capitalist investors into State guaranteed *rentiers*. It must be remembered that even the holder of debenture stock is not in the same position of security as the holder of State guaranteed bonds.

§ *Classes of Stock*

The third method is that employed by the London Passenger Transport Bill, namely, the cancellation of the stock of the old capitalist companies, and the substitution of stock of appropriate categories and amounts in the new Public Corporation. In the case of the London Passenger Transport Bill the following classes of stock were provided for, the order of priority being as indicated:

London Transport "A" stock to be used primarily for exchange with debentures, and carrying interest at $4\frac{1}{2}$ or 5 per cent. or (in the case of subsequent issues) such other rates as the Board with the approval of the Treasury might determine, which variation, of course, would affect the amount of stock issued in compensation.

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London Transport "T.F.A." stock, to be issued only in respect of the $4\frac{1}{2}$ per cent. debenture stocks of certain Underground companies which had been guaranteed by the Treasury under the Trade Facilities Acts, 1921-26, and carrying the rate of interest of those stocks, namely, $4\frac{1}{2}$ per cent.

London Transport "L.A." stock, to bear interest at the rate of $4\frac{1}{2}$ per cent., and to be issued only to specified local authorities.

London Transport "B" stock, to carry interest at the rate of five per cent., or (in the case of subsequent issues) such other rate as the Board with the approval of the Treasury might determine at the time of issue. This stock would be used largely for the purpose of compensation to the old preference shareholders.

London Transport "C" stock.

The provision with regard to the "C" stock is contained in clause 38 (7) of the Bill as amended in the Joint Select Committee which it will be convenient to set out:

"(7) London Transport 'C' stock shall, subject to the provisions of this section, bear interest as follows:

- (a) interest shall be paid at the rate (in this Act referred to as the standard rate) of five per cent. per annum in respect of each of the first two years after the appointed day and of five and one-half

per cent. per annum in respect of each subsequent year; and

- (b) in respect of any year after the first two years in which there is a sum available out of the revenues of the Board applicable to the payment of additional interest on that stock under subsection (3) of section forty-five of this Act, additional interest shall be paid at whichever of the following rates, that is to say, one-eighth, one-quarter, three-eighths, or one-half of one per cent., is the highest rate that that sum is sufficient to pay:

Provided that—

- (i) if in any year the revenues of the Board applicable to the payment of interest at the standard rate are insufficient to pay interest at that rate in respect of that year, interest shall be paid in respect of that year at the highest rate that can be paid out of the revenues so applicable, so however that the rate so paid shall be a multiple of one-eighth of one per cent.;
- (ii) in any year in which the amount which is applicable out of revenue for the payment of interest at the standard rate or additional interest is not wholly distributed as interest, any amount not so distributed shall be paid into a

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special fund to be called the London Transport 'C' Stock Interest Fund (in this section referred to as 'the fund'); and

- (iii) in any year in which the revenues of the Board applicable to the payment of interest on the 'C' stock are insufficient to pay interest at the rate of six per cent., any sums standing to the credit of the fund shall be applicable to making up interest for that year on the 'C' stock to any rate (being a multiple of one-eighth of one per cent.) not exceeding six per cent.

"Any money standing to the credit of the fund shall be invested in statutory securities, and the interest thereon shall be credited to the fund."

It will be seen that the standard rate of interest for "C" stock was to be 5 per cent. for the first two years and $5\frac{1}{2}$ per cent. thereafter, but it was also provided that in the event of there being a surplus the surplus should be equally divided between "C" stock holders and the Board, but that in no case would the "C" stock holders receive more than 6 per cent.

"C" stock was to be used in the main for compensating the holders of ordinary or equity shares in the formerly privately owned undertakings. Most Socialists—as was the case with myself—will at first sight be somewhat shocked

at this equity element in the finances of a public corporation; that I never quite got over the shock is indicated by the fact that the Bill provided an option for the Board to redeem "C" stock at par on December 31st, 1955, or thereafter, which was an exceptionally early date for this purpose. It was not wise to compel the Board to redeem at that date because conceivably it might be more advantageous to the Board not to do so. There are, however, very considerable arguments in favour of the "C" stock method. Whilst there is a standard rate of dividend, it is not a guaranteed rate, nor is it cumulative; this places the Board managing a commercial undertaking, which may have its ups and downs outside the control of the Board itself, in an easier position than if the stock carried a fixed rate of interest. It was provided, however (i) that the Board could use the reserve fund for bringing the interest up to the "standard" rate (never more than $5\frac{1}{2}$ per cent.) in any year in which the revenue is insufficient, provided they repay the reserve fund before more than $5\frac{1}{2}$ per cent. is again paid; and (ii) that if in a particular case earnings were not sufficient to pay the full rate of interest and money at that time was available in the "C" stock interest fund (see clause 38 (7) (ii) above), the necessary sum or what was available could be transferred to bring the rate of interest up to but not exceeding 6 per cent. But if in any year the earnings were not sufficient to pay the standard rate and money was not available in the

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"C" stock interest fund to supplement the earnings, the "C" stock holders would have no cumulative claim upon the Board's future earnings or resources. The possibility of an additional half per cent. was a useful factor in negotiation, for ordinary shareholders like to hope for "something extra." The "C" stock, therefore, is really a modified equity stock with a maximum and a recognised, but not fixed or guaranteed, minimum rate of interest. In difficult years this arrangement would place the Board in a much happier position than if the whole of its stocks were fixed interest bearing securities. The arrangement was, I think, equitable all round in view of the nature of the shares replaced; the shareholders lost the right to "limitless" dividends if earned, but they got stock in a monopoly concern.

§ *A Nasty Point*

The nastiest point which I had to meet was that of providing some remedy for the stock holders if the Public Corporation got into really serious financial difficulties. It was highly unlikely that the Board would get into such difficulties, but the London Passenger Transport Board was to have no recourse to the taxes or rates to make up deficits, and in such cases (see Port of London Act) it is not only common form for the stock holders to have some remedy, but the Parliament of 1929-31 would certainly not have passed the Bill had some remedy not been

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provided. The risk of serious financial failure was small. So in all the circumstances the Bill provided for the right to apply for the appointment of a receiver in certain eventualities. The Joint Select Committee unwisely stiffened these provisions by reducing the period within which a receiver could be applied for from three to two consecutive years of non-payment of the standard rate of interest, with the result that Clause 38 (14) (b) and (c) read as follows in the Bill as amended in the Joint Select Committee:

“(14) Subject to the provisions of this Act, transport stock shall be issued, transferred, dealt with and redeemed in accordance with regulations to be made by the Minister, with the approval of the Treasury, prior to the issue of such stock, or such other regulations as the Minister may with such approval from time to time by order prescribe, and such regulations shall provide for the enforcement of the security by the appointment of a receiver or a receiver and manager or otherwise and may apply for the purposes of this section with or without modifications any provisions of the Local Loans Act, 1875, the Public Health Acts Amendment Act, 1890, and the Acts amending those Acts, and of any Act relating to stock issued by any local authority:

“Provided that regulations made under this section—

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- (b) shall authorise the holders of 'A' stock, 'L.A.' stock, or 'B' stock respectively of an aggregate nominal value of not less than five hundred thousand pounds to apply to the High Court for the appointment of a receiver or a receiver and manager of the undertaking of the Board in the event of the Board making default in the payment of interest on those stocks respectively for a period of not less than three months; and
- (c) shall authorise the holders of 'C' stock of an aggregate nominal value of not less than five hundred thousand pounds to apply to the High Court for the appointment of a receiver or a receiver and manager of the undertaking of the Board in the event of the Board failing in respect of each of two consecutive years¹ to pay interest on the 'C' stock at the standard rate for those years."

¹ Owing to the continuance of the slump in trade, the House of Commons became concerned as to the ease with which "C" stock holders might apply for a receiver, and at Report Stage amended the Bill so as to provide that the "default period" instead of being two consecutive years, shall be three consecutive years, of which the first shall be not earlier than the third year after the appointed day. The stock qualification for an application for the appointment of a receiver has also been altered in respect of each class of stock to which the clause applies, from £500,000 to 5% of the total amount of that stock then outstanding, which in the case of the "C" Stock, on the basis of the estimated initial capital, represents an increase from £500,000 to about £1,200,000. Provision is also made for the holding of separate meetings of each class of stockholders for the purpose of informing the Court whether such holders desire to support or oppose an application for a receiver.

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The relatively small amount of "T.F.A." stock remained guaranteed to the Board by the Treasury as it was to the old companies; the security of "A," "L.A.," and "B" stocks was of a high order and gave no concern, whilst the element of risk even in the case of "C" stock was small in a great London transport monopoly.

The alternative was to give a State guarantee. The Government did not wish to do this for it might well have encouraged a spirit of slackness or even recklessness on the part of the Board in matters of management, on the part of the travelling public in demanding lower fares and uneconomic facilities, and on the part of the workpeople in asking for big concessions as to conditions of labour; all might be tempted to say, "Well, after all, the Treasury is behind us." As I have shown from the Russian experience, this is a dangerous frame of mind.

§ Application of the Revenues

It is relevant here to indicate the order in which the revenues of the Board were to be applied. Clause 45 of the Bill as amended in the Joint Select Committee was as under:

"45. (1) The revenues of the Board in any year shall be applied in defraying the following charges and in the following order:

- (a) working and establishment expenses, and expenditure on or provision for the main-

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- tenance and renewal of the undertaking and the execution and performance of the powers and duties of the Board (including the remuneration and salaries of the members and officers and servants of the Board and payments on account of pensions, superannuation allowances, and compensation to officers and servants) properly chargeable to revenue account;
- (b) interest on any temporary loan raised by the Board;
 - (c) the amount to be transferred to the Tramway Debt Liquidation Fund and the amount of any sums payable to local authorities by way of annual payments in respect of the interest on loans raised by them for the purposes of transferred undertakings;
 - (d) interest on the 'A' Stock, 'T.F.A.' Stock, 'L.A.' Stock, and 'B' Stock respectively and any arrears of interest thereon in the order specified;
 - (e) any sum becoming payable by virtue of any guarantee given by the Board under section eighty-eight of this Act;
 - (f) interest for that year on the 'C' Stock at the standard rate; and
 - (g) any sums required under this Act to be transferred to any sinking fund or redemption fund in connection with the

'A' Stock, 'T.F.A.' Stock, 'L.A.' Stock, and 'B' Stock.

"(2) The balance, if any, arising in respect of each of the first two years after the appointed day shall be transferred to the reserve fund established in accordance with this Act.

"(3) The balance, if any, arising in respect of any subsequent year shall, subject to the repayment to the reserve fund of any sum which may have been transferred from that fund and applied for the purpose of defraying the charge mentioned in paragraph (f) of sub-section (1) of this section, be applied up to one moiety thereof to the payment of additional interest for that year on the 'C' Stock at a rate not exceeding one-half of one per cent., and the residue of the said balance shall be transferred to the reserve fund established in accordance with this Act."

§ *Cash or Stock?*

I have set out fairly fully the financial scheme of the London Passenger Transport Bill because it is a concrete and practical illustration of the method of compensation which I tend to favour, applied to the circumstances of highly complex transactions. So far I have dealt with anticipated criticisms from Socialists rather than anti-Socialists. The curious thing is, however, that whilst the Socialist who most retains his pre-war orthodoxy manifests the greatest degree of shock

among those of Socialist views, his prejudice in favour of compensation by cash payment was shared by the most difficult of all the undertakings with which I came into conflict, namely, the Metropolitan Railway. There is no virtue in cash purchase from the Socialist point of view, for if the State were to pay in cash it would mean that the State would have to float a loan and issue Government stock in order to raise the money. There is no more wickedness in issuing Transport stock than in the Chancellor of the Exchequer issuing Government stock; the real difference being that in the case of the Government stock the capitalists would be guaranteed their interest, whereas in the case of Transport stock they were not so guaranteed.

The Metropolitan Railway, however, were also great people for cash compensation. Their view was that we were taking the Metropolitan Railway without the consent of its proprietors and that it would be unprecedented and unjust to impose compulsory purchase without giving the proprietors the option of cash instead of Transport stock. They obviously regarded the financial scheme as revolutionary and confiscatory. I replied that all the proprietors of the Metropolitan Railway had then got was paper representing stocks or shares in a railway which was not doing very well; that the new Board was going to cancel their present paper and give them in its place paper with the same (or rather better) earning power behind

it. They had not got cash now; they had no State-guaranteed rates of interest now; and in this regard they would be no better and no worse off under the new order of things, except that they would own stock in a better undertaking. The case before the transfer would be that if the proprietors wanted to turn their paper into cash they would have to sell their paper for what they could get, and they would be in precisely the same position with regard to London Passenger Transport stock, with this qualification, however: that they would then hold stock in a consolidated, public monopoly, under the direction of a Board which the Minister was directed to appoint on grounds of competence and ability. I could never get Lord Aberconway, the Chairman of the Metropolitan, to see the justice of the matter, however, for he was as orthodox and old-fashioned in his ideas of nationalisation as is Mr. Maxton himself, as far as I can follow the somewhat uncertain views of Mr. Maxton in these days! I suspect, however, that Lord Aberconway was constitutionally averse to being persuaded by a Socialist Minister, and that just as some Communists like to prove that they are genuine class-conscious proletarians by keeping their hats on when putting a question at a public meeting, so my noble friend the enemy, Lord Aberconway, wanted to prove to his noble friend, Lord Ashfield, who had come to terms with me, that of the two of them, Lord Aberconway was the pure, unadulterated class-conscious

capitalist, and that Lord Ashfield had submitted to the blandishments of that Socialist fellow, Morrison! I have these suspicions of prejudice because since I left office with the Metropolitan Railway Company's declarations ringing in my ears that they would accept nothing short of a cash option, they have now accepted stock, even though it be stock carrying a conditional guarantee by the main line railways.

The main line railway companies whose suburban traffics are gravely imperilled by the existing competitive chaos were anxious for the Bill to go through, and so they came to the rescue by guaranteeing that the Metropolitan proprietors should receive from the new Board certain minimum rates of interest for twenty-five years. This will not be guaranteed by the Board, but by the railway companies. Still, if they will forgive me rubbing it in, the Metropolitan proprietors are to receive paper and not cash.

§ The Problem of Interest Charges

The only remaining point with which I need deal is the question of the liquidation of capital and the financing of new capital expenditure. It should be a general provision in schemes setting up Public Corporations that a sinking fund be established to which annual contributions shall be made so as to redeem stock over a period of years. The stipulations with regard to such sinking funds may vary according to the nature of the

undertaking and the problems with which it is faced. It may be that the sinking fund will be built up by fixed contributions over a period of years, or that the contributions may be varied with the consent of the Treasury or other appropriate State department, or that for the first five or ten years no sinking fund contributions need be made. But I conceive that in all cases a maximum period for redeeming the stock or repaying loans will be stipulated, although suspension may be allowed with the consent of the Treasury. The number of years allowed will vary according to the probable life of the particular asset in the case of borrowings for a specific purpose, and according to what is financially practicable without over-burdening the consumers or the users in the case of the initial capital of the undertaking as a whole. The burden of interest is objectionable from the Socialist point of view; it is, therefore, desirable that the Board should not needlessly borrow for new capital expenditure, but where practicable or equitable apply surplus earnings by retaining them in the business for capital development. For this purpose a reserve or other appropriate fund would no doubt be provided.

As large-scale socialised industries become the rule rather than the exception and the Socialist Commonwealth is to some extent established, the annual industrial budgets may indeed provide for a definite proportion of the revenue being earmarked for the capital fund, the aim being to estab-

lish, as far as practicable, the general principle of not borrowing at interest; this will replace the partly illusory "savings" of the capitalist to-day. The extent to which this is financially practicable will be dependent upon the prosperity and efficiency of the respective industrial units, the determination of a reasonable equation between capital and revenue accounts, and the general financial and economic policy of the State. Reserves beyond a suitable amount might be held by the economic department of the State as banker or investment board for the approved requirements of socialised industries generally. But that aspect belongs to the chapter on "Supreme Economic Control in the Socialist State."

CHAPTER XV

Supreme Economic Control in the Socialist State

MANY PEOPLE WHO WOULD STRONGLY OBJECT to being regarded as Socialists may be disposed, I hope, to agree with much that I have already written in this book, even though they may dissent from the present chapter. Rejecting the general idea of Socialism in its wider implications, they may be sufficiently open-minded and realistic to consider favourably, for example, the policy I have advanced, for the better organisation of London passenger transport, and even the policy I have indicated with regard to transport nationally.

I am a Socialist and my general Socialist views certainly influence my mind in examining particular economic problems. Most public spirited people, whether Socialists or non-Socialists, have their ideals and their visions. It so happens that for me Socialism provides the ethical and moral framework of my ideals and visions as well as what I believe to be a sound practical and urgently necessary economic policy for to-day. The high moral purpose of Socialism does not and must not prevent the Socialist in public affairs carrying a sound business head on his shoulders, nor must he feel it in any way a treachery to his ideals if he

must elaborate in a realistic spirit the organisation and management of socialised industries. The Socialist Minister of the future must try to be as good a man at business for public ends as the ablest of the capitalists or managing directors are for private ends. Certainly his mental and emotional outlook must comprise the visions, the ideals and the whole comprehensive policy of Socialism, for otherwise he might get lost in a mass of practical business details. But it is essential that Socialism should be sound public business as well as being healthy in its social morality. Socialism must stand the double test of being ethically sound and economically sound; for man cannot live by abstract ethics alone, whilst the establishment of a human society that lives by bread alone—even though there be plenty of it—is an object to which it is not worth devoting one's life.

When learned Counsel appearing in opposition to the London Passenger Transport Bill had me called before the Joint Select Committee to be examined and cross-examined on the policy of the Bill, some of them, I suspect, took that course in the hope that it would be demonstrated that the Minister responsible for the Bill was a Socialist doctrinaire and a visionary who was determined to apply his Socialist code whether the practical facts of London passenger transport warranted it or not. They were disillusioned. I argued that the Bill was submitted to the Committee as a practical business proposition in the public interest, and that they should judge it

on its merits as such. The Bill stood the test, and although the Committee made some alterations I did not like, it came through the ordeal of thirty-five days of wordy warfare between learned Counsel and expert witnesses and critical examination by a committee of Lords and Commons containing a two-thirds non-Socialist majority, with flying colours. If I am insistent that proposals for socialisation should be defended by Socialists on their business merits in the light of the general public interest, may I not ask the non-Socialist to judge such proposals on a similar basis, and not to allow his mind to be warped by pre-conceived objections based on anti-Socialist slogans and catch-words used against Socialism as a general proposition? The Conservative anti-Socialist may object to socialisation as a whole but, like the Conservative Government which set up the British Broadcasting Corporation, he may believe in the socialisation of broadcasting; the Liberal non-Socialist may shrug his shoulders deprecatingly at the mention of Socialism, but it has not stopped him from urging the socialisation of electricity supply and London transport in the Liberal Yellow Book. Publicly owned local transport, electricity, gas and water undertakings, and even Mr. Neville Chamberlain's Municipal Bank at Birmingham, testify to the fact that nearly all the socialisation we have so far established has been done by Conservative and Liberal non-Socialists. Indeed, on the Second Reading of the London Passenger Transport Bill I was able to

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tease the Conservative Opposition with the plea that, despite their being the Party of privilege, they really should not claim the exclusive privilege of being permitted to introduce Socialist legislation, and that they might permit this particular piece of Socialist work to be undertaken by a Socialist Government!

If we forget for the moment that in these matters the Conservative Party appears to become less and less enlightened as the years pass, it would appear to be the case that the more open-minded non-Socialist rejects Socialism as a whole but permits himself to consider socialisation where the particular circumstances of the case warrant it, while the Socialist, who believes in Socialism as a whole, realises that he must establish the public business case for each piece of Socialist economic reorganisation he undertakes.

The views I have expounded in this book so far will, I hope, win the general concurrence of most Socialists and a good many non-Socialists, but I shall be greatly surprised, and possibly a little disappointed, if it does not receive criticism from both Socialists and non-Socialists. The anti-Socialist criticisms will be on general and familiar lines. Certain of my Socialist friends, however, besides being temperamentally averse to my insistence throughout on the importance of the practical business aspects of socialisation, may justly point out that the socialisation of particular industries will not end unemployment and will not automatically provide that the

socialised industries will substantially reduce the hours of labour and increase the wages of the workpeople employed in them; and that in the day to day affairs of the undertaking of the Public Corporation the workmen will still receive orders from and will not be able to give orders to those who are in positions of managerial authority. With the last point I have dealt in Chapter XIII. This last chapter is added in order that the other by no means irrelevant considerations may be dealt with.

§ Benefits of Socialisation

The benefits which I anticipate from individually socialised industries may be summarised as follows:

That the industry itself will be more efficiently and economically conducted;

Consequential advantages will follow to the public, of which it must never be forgotten that the workman in the industry is a member;

That the quality of service will tend to advance and the prices charged tend to fall;

That the degree of exploitation by financiers will be limited and the relative amount of interest bearing capital progressively reduced;

That socially necessary but, narrowly regarded, unprofitable particular services or pieces of work may be carried on by a Public Corporation aiming at public service which

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would not be looked at by a profit seeking capitalist undertaking;

That the security and status of the workpeople employed will be greater because the shocks of destructive competition will be avoided;

That the workpeople will share in the economic advantages brought about by the co-ordination and greater efficiency of the consolidated undertaking, due regard being had to the rights of the consumers and users, to the sound financing of the undertaking itself, and to the interests and position of the workers employed in other industries or undertakings, including those which are still conducted as capitalist enterprises;

Trade Union organisation and the process of collective bargaining will be more securely established;

The opportunity of filling directive posts will be more open to the able workman who starts below;

And for everybody the industry will be lifted above the gamble with life and money involved in capitalist competition.

These are great advantages and there are no doubt others. They are not to be scorned. The work done even to this point is well worth doing. But I entirely agree that we shall not have reached the promised land. Indeed it might

be that in the case of those industries which are very much open to the ill-effects of general world competition and disorganisation, efficiency may only be purchased at the price of recognising that that industry is not likely again to employ as many workers as it nominally employed (with a large proportion of them under-employed or unemployed) under capitalist conditions. For unemployment there must be social responsibility. But even so, things are not worse. Most of the advantages I have indicated will obtain. If the industry had been allowed to drift on a competitive capitalist basis, in due time it would either have been reorganised into a capitalist trust run ruthlessly for private profit or would have decayed into disintegration. It is no defence for the inefficiency of capitalist competition to claim that it employs and under-employs a larger number of workers than the same industry would under an efficient Public Corporation. But in the case of industries like transport, electricity, and mining, it is highly unlikely that even these disadvantages will accrue; on the contrary, owing to extensions and developments and the creation of ancillary industries from by-products and so on, it is likely that, as a whole, those industries will maintain or increase the number of workers employed.

What the Socialist critic I have anticipated really means is that the full advantages of Socialism cannot be obtained until Socialism is fully established. With that I entirely agree. One of the

most forceful Socialist indictments of capitalism is that it gives us no oversight of the economy of the nation or of the world as a whole. Our unemployment problem is grave; the extremes of riches and poverty are a disgrace; the economic insecurity of the working and middle classes is a torture: but in view of the lack of general economic direction and control the wonder is not that things are as bad as they are, but that they are not very much worse. If we continue to allow our economic activities to drift in the present unrelated way, things may very well become much worse than they are. A Socialist Government, whether it has the ill-fortune that I had in the case of the London Bill to proceed with separate hybrid Bills, or whether it socialises by Orders in Council under a general enabling statute, will have to proceed industry by industry and service by service even though several Ministers are dealing with a number of industries at the same time. There is no Socialist more in a hurry about the establishment of Socialism than I am, but I want socialisation to be soundly conceived, well planned, and to achieve that success which will be a good advertisement and not a bad one for the Socialist idea. Things that might check and muddle socialisation are the insufficient education of public opinion, the irrational exposition or defence of Socialism, clumsiness, weakness, cowardice or sloppiness in dealing with the interests concerned in the socialisation proposals, and such insufficient attention to

business detail that socialisation is not unreasonably judged by the public to be a failure rather than a success. The policy of putting fully competent, public spirited people in charge and giving them their head must be applied if we are to avoid that kind of failure which could bring Socialism into disrepute for a long time. But sensible, business-like and administratively clean-cut as a Socialist Government must be if it is to succeed, it must also have at the back of its mind the big thing at which it is aiming, which is the complete mastery by the nation of its economic resources and their management and disposal in the interests of all its citizens, together with the ethical idealism which becomes practical on that basis.

For me, this bigger idea of Socialism is not a mere vision of the future: it is a policy for to-day. I hope the electors will be so determined in the view that it is the predominant duty of Governments to bring economic order out of chaos, that they will judge the Socialist Governments of the future, not on how much public money they have raised and disposed of in grants, allowances, and cash benefits for the purpose of palliating capitalism—though social reform must occupy part of our time—but on how many industries they have successfully socialised. We need not worry about getting every toffee shop and boot repairer's in the back streets socialised; from the point of view of the real economic problem they are neither here nor there. But the full healing powers of Socialism cannot be applied until all

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the large industries and services are planned and organised for social ends and the people, through the appropriate political and economic organs of the nation, are made the masters and not the slaves of material wealth. In the end that doctrine must be applied to the world as a whole. Sooner or later world economic and political organs must in certain respects be supreme over national ones. But although I have taken unto myself the luxury of writing this chapter under the title of Supreme Economic Control in the Socialist State, I am not here planning the economic organisation of the World State.

§ *A Modernised Board of Trade*

Let us now, therefore, try to get a broad idea of the supreme economic and business organisation of the Socialist State for which the Labour Party stands. It can only be a broad idea. I have already done my spot of work in this book by attempting to work out—imperfectly, I am sure—the structure, organisation, and functioning of those Public Corporations which will, I believe, conduct the affairs of many particular industries. In any case we do not know enough to be as definite and detailed about the wider and more general problems as I have been in relation to more particular problems, and we shall not know enough until the socialisation of a number of industries has brought us, possessing the greater knowledge gained in practical work, to the very

threshold of the organisation of the Socialist State as a whole. Subject to these reservations, asserting my absolute right to vary the views here expressed, and in no way committing the Labour Party, I will sketch out what I conceive to be the broad outlines of a practicable plan, without complicating my task by speculating about fundamental changes in our general political and Parliamentary structure.

As with national finance, so with the national economic policy of a Socialist State, the Government must be closely and vitally concerned. The Government is the supreme political organ of the State, subject to its responsibilities to Parliament and the electorate. Whilst the socialised economic undertakings will be responsibly conducted by their managements, subject to the specific reservations I have indicated, and will enjoy a very wide measure of managerial freedom, the economic policy of the nation as a whole must be a matter of close concern to the Government and to the representatives of the citizens in Parliament. There will, I imagine, exist a modernised, alert, and well organised Board of Trade—possibly styled the Ministry of Public Economy, a public economy very different from the destructive muddle-headed notions which sail under that name in the minds of reactionaries at the present time. But I have no objection to its continuing to be called the Board of Trade, for I was not one of those who thought that labelling the old Local Government Board the Ministry of Health

would of itself reduce the death rate. The Board of Trade or Ministry of Public Economy will be staffed by civil servants, accountants, and technicians, who will have had not only a good general education, but will possess sound, public spirited, economic minds. It may be that many of them (by a process of seconding) will go in and out of the Public Corporations and other publicly owned undertakings in order that they may have practical experience of industry, although the adaptability of the British Civil Service almost makes one believe it to be capable of anything. Both the staff and the Ministers of the department must be independent and have no allegiance to any particular industry; they must be impartial, but understanding; objective, but not unsympathetic in considering the problems of all industries in relation to the economic problems of the nation as a whole.

This department will be the instrument of measurement and publicity. If an industry is hiding its light under a bushel, their task will be to uncover the light and to give the industry credit for its good points. If anybody in an industry is hiding facts or producing tendentious reports, it will be their task diplomatically, but firmly, to see to it that the high principles of measurement and publicity are fully maintained. The department will have behind it a great tradition of honourable dealing, courage, and scientific accuracy in the handling of facts. If that tradition is well maintained by its officers and its

Ministers, and insisted upon and rejoiced in by the public at large, it will exercise great and justifiable authority in the realm of economic discussion. This department will be the industrial eyes and ears of the Government and of Parliament. It will aim at knowing all there is to be known in relation to the functions which it has to discharge. In the selection at that time of the President of the Board of Trade—who may come to be called the Minister of Public Economy—the greatest care should be exercised to obtain a person of courage, balance, business judgment, tact and determination; though, even if he does not come quite up to these standards, the Civil Service will probably keep him right! For a strong and wise Minister will use his civil servants and keep them to his lines of policy, whilst a weak Minister will be kept on reasonably sound, if perhaps somewhat unimaginative, lines by the civil servants; I say a little unimaginative because they must be careful about taking risks. This State Department will get together, analyse and collate the economic budgets of all the socialised industrial undertakings. These undertakings will be varied in character, for they will include the Public Corporations, State department economic undertakings such as the Post Office, and account must be taken of the substantial measure of control which may possibly be imposed upon the trading undertakings vested in the municipalities and the consumers' Co-operative Movement, both of which are organs of socialisation. The

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industrial relationship of the Minister of this department will not be the same as that of the Minister who is associated with specific industries by appointing their Boards or being answerable about their work in Parliament: he will be "above the battle" of the individual undertakings, for he is concerned with the general economic policy of the State.

§ *The Economic Council*

It is probable that some sort of Economic Council will be established, very different in its functions and much more definite in its status than the present Economic Advisory Council appointed by the Prime Minister. It will not be executive: in this realm of high policy the Government must be answerable to the people, though the Government must protect itself in every possible way against the illegitimate pressures even of the socialised industries of a Socialist society. The Economic Council will, I conceive, include representatives of the Public Corporations, Finance, the Local Government Associations, the Co-operative Movement, and the Trades Union Congress. It might have its own secretariat, but I incline to the view that it would be best for its secretariat to be drawn from the staff of the Board of Trade or Ministry of Public Economy in order that the principles of measurement and publicity may be kept present in its mind, and in order that there shall be a liaison

between it and the State department to which its work will be related. The Economic Council should freely confer, debate, and make recommendations as to the general economic policy of the nation. It might perhaps meet by itself without Ministers when it liked, but at regular periods it should certainly meet under the chairmanship of the President of the Board of Trade or Minister of Public Economy, the Ministers of departments having economic functions also being present. The agenda would be accompanied by appropriate reports giving the facts about the problems to be considered, thus again applying the principles of measurement and publicity. Though quite properly not enjoying any status of supremacy over the Government, the Economic Council would be a very important body for it would include among its numbers some of the ablest minds concerned with the practical management and direction of industry and the organisation of labour. As the known facts would be openly produced, the trading undertakings themselves having the right to bring up reports, the discussions would be built upon very solid foundations. We should thus arrive at the highly desirable state of affairs that, whilst the President of the Board of Trade or Minister of Public Economy was top dog, he would be meeting men of great industrial ability, also engaged in the public service, at consultations where all the cards were on the table.

The Minister would be responsible for present-

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ing to Parliament the economic Budget of the State, just as the Chancellor of the Exchequer is responsible for presenting the financial Budget. As the capitalist interests would be either non-existent or small and well-controlled in the Socialist State, the deep mysteries and secrecies of the present financial Budget would not have the importance attached to them that is attached to them at Budget day now, except on occasion in relation to foreign competition. Before he produced his economic Budget to Parliament—which, by the way, might be a Budget for a period of years with an annual report or review—the Minister and his economic ministerial colleagues would have argued matters inside out in the Economic Council, so that before the Parliamentary discussions were reached differences on secondary and detailed matters, and many primary matters, would have been cleared away and there would remain for debate the outstanding points of high policy and those differences of principle between political parties or schools of thought. But the great thing is that the facts would be there; indisputable, inexorable facts. That in itself would put a stop to much of the empty-headed talk and conjecture which disgraces Parliament at the present time.

§ *Man: The Master of Material Things*

The economic Budget would set out programmes of capital development for the various

industries and the broad finances of the economic undertakings, each undertaking publishing its periodical report, including its audited financial statements. Decisions would be made as to the allocation of capital to the various industries and the contribution of the industries to the national economic capital funds as a whole; for we shall not go on for ever floating loans upon the market and paying interest to *rentiers* which, after all, must in any case be produced by the labour of hand and brain. Besides, the *rentiers* will steadily decrease. The Socialist State may not for some time entirely succeed in, but it will aim at, accumulating its capital requirements out of the produce of industry annually or over a period of years. Thus there will be presented to Parliament a comprehensive, but adequate, picture of the nation's economic position, so that it may judge intelligently as to how much of the product of labour can be returned directly to labour, how much to the capital fund, and the proportion of the products of industry which should be allocated to the general expenses of the political State, to education and the social services, to the maintenance of public amenities, and to other purposes. Costs of production will be revealed to the light of day and the community will know generally what hours of labour are necessary in order that it may get its living, what rewards can be paid to labour, and what portion of the product can be set aside for capital development, for non-economic services, and so on.

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The inventor who enables the productivity of labour to be increased will be blessed by all, and not least by the industrial workers: for instead of throwing them out of employment as he may do or as they think he does under capitalism, his invention will enrich the nation and enable consideration to be given to the reduction of the hours of labour or a higher standard of remuneration for labour, or an extension of the social services and public amenities. Through the Economic Council and the Board of Trade or Ministry of Public Economy, the Socialist State will have achieved the scientific mastery of man over the resources which nature has given us and the scientific inventions which the mind of man has produced. The undignified competitive scramble for bread and butter will have ceased; the cheating of one's fellows in business will no longer be a recognised part of the game.

Publicity and measurement will quickly reveal the efficient and expose the slacker and the incompetent. Capitalism's direct encouragement of the individual from birth upwards to be selfish and to rise at the expense of others will have gone. And although human nature will not be perfect (anyway, I am tempted to hope not), the social forces of economic interest and a developing general public spirit in industrial affairs will encourage men and women to deserve honour and distinction in serving the commonweal instead of making personal advantage the object of life.

APPENDIX

PASSENGER TRAFFIC IN GREATER LONDON

ROUTE AND ROAD MILEAGE, PASSENGERS CARRIED AND VEHICLE MILES, YEAR 1931

	Route miles owned (Railways); Road miles run over (Omnibuses, Trams and Trolleybuses)	Passengers carried		Passenger vehicle miles	
		Number	Per cent. of total	Number	Per cent. of total
Local Railways	123	641,917,202	17.6	121,895,417	27.5
Omnibuses: L.G.O.C. and Associated Co's.	1,179	1,856,186,479	51.0	206,475,608	46.6
Independents	25	481,000,000	2.2	48,995,000	2.0
Tramways: Municipal	1232	853,838,114	23.5	183,983,027	19.0
Companies	96	197,622,936	5.4	20,405,978	4.6
Trolleybuses: Municipal	—	—	—	—	—
Companies	317	11,929,417	.3	1,048,839	.3
Total		3,642,494,148	100.0	442,803,869	100.0
Suburban Branches of Main Line Railways	330	411,000,000		Not available	
Grand Total		2,403,494,148			

¹ Year ended 31st March, 1932.

² Excluding the number of passengers carried by Coaches, estimated at approximately 25,000,000.

³ The first Trolleybus route commenced operation on 16th May, 1931, and the system was progressively extended during the year.

⁴ Estimated.

ROUTE MILEAGE, PASSENGERS CARRIED AND VEHICLE MILES IN RESPECT OF LOCAL LONDON RAILWAYS

Company	Route mileage owned at 31st December 1931		Passengers carried Year 1931		Passenger vehicle miles run over the Company's system—Year 1931	
	Number	Per cent. of total	Number	Per cent. of total	Number	Per cent. of total
Metropolitan District	25.06	20.33	131,275,799	20.45	23,275,092	19.09
London Electric	31.29	25.38	154,227,945	24.03	37,769,415	30.99
City & South London	12.61	10.23	63,440,791	9.88	16,302,563	13.37
Central London	6.88	5.58	44,222,152	6.89	8,304,160	6.81
Metropolitan	135.02	28.40	117,103,219	18.24	27,383,747	22.47
City Lines & Exten's	1.68	1.36	49,195,082	9.22	2,714,990	2.23
Whitechapel & Bow	2.05	1.66	36,583,561	5.70	2,096,113	1.72
Hammersmith & City	2.98	2.42	17,201,576	2.68	1,678,209	1.38
Waterloo & City	1.58	1.28	8,100,000	1.26	614,785	.50
East London	4.14	3.36	10,567,077	1.65	1,756,343	1.44
Total	2123.29	100.00	641,917,202	100.00	121,895,417	100.00

¹ Excluding 45.28 miles leased to the Metropolitan and G.C. Joint Committee.

² At 31st December, 1932 this figure had increased to 131.74 miles owing to the Arnos Grove Extension of the London Electric Railway, 4.4 miles, and the Stanmore Extension of the Metropolitan Railway, 4.05 miles.

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